

EUROPEAN NEWS

Second West German shipyard occupied

BY JAMES BUCHAN IN BONN

SHIPYARD workers yesterday occupied a second yard on the north coast of West Germany in protest at plans for drastic cuts in the badly troubled industry. Just a week before the local elections in the city-state of Bremen, more than 2,000 workers occupied the main yard of AG Weser, a subsidiary of the Fried. Krupp industrial concern, which is threatened with closure under a restructuring plan for the four chief Bremen yards.

In Hamburg yesterday, workers continued their sit-in at the Howaldtswerke-Deutsche Werft in protest at plans to lay off 1,354 men at the yard, a subsidiary of Salzgitter, the steel and industrial group owned by the federal Government.

THE BONN Government is prepared to guarantee further loans to East Germany's West German banks if the East German banks agree to improve contacts between citizens of the two states, writes Leslie Collitt in Berlin.

Herr Heinrich Windelen, Bonn's Minister of Inner German Relations, said East Germany has a heavy burden of short-term credits to be repaid this year and next, and that it must consolidate its debts. East Germany's total debt is estimated at \$12.5bn (\$8.3bn). Herr Windelen said East Berlin is now paying nearly 90 per cent of its hard-currency earnings to service this, and is unable to meet

payments from its current income.

In July, West German banks provided East Germany with a DM 1bn (\$250m) loan guaranteed by Bonn. Herr Windelen said the Government would only "guarantee" further loans if East Germany would allow its citizens below retirement age to visit their families in West Germany. He described as unrealistic West German newspaper reports that East Germany wants between DM 4bn and DM 6bn in loans from West Germany.

East-West German negotiations on a cultural agreement resume today in East Berlin after an eight-year interruption.

The decision by the AG Weser workforce to occupy the 137-year-old yard at Groepelinge followed an address by Count Otto Lamsdorff, the

Bonn Economics Minister, to the assembled workers. Count Lamsdorff said later that he had made no promises and the works council said that his address had partly precipitated the action.

He bitterly criticised the Bremen Social Democrat government which has called in

outside experts before deciding whether to back the restructuring plan. This envisages the closure of Groepelinge and the concentration of shipbuilding at AG Weser's smaller Seebeck yard and at Bremer Vulkan, while ship-repair would be handled at Hapag Lloyd.

In the shadow of next Sunday's elections, state and federal governments are locked in a dispute over who will bear what share of the DM 115m (\$28m) restructuring costs envisaged by the companies.

Bremen has the highest unemployment rate of any West German state and Count Lamsdorff said yesterday that it was out of the question that a decision will be reached before the elections are over.

Tough Dutch budget expected today

By Walter Ellis in Amsterdam

THE DUTCH Finance Minister, Mr Herman Ruyter, presents his first full budget today. It will include a tough series of measures intended to bring about savings of some \$11.15bn (\$27.77bn) in 1984 by means of widespread spending cuts and a scaling-down of the welfare state.

Income tax is set to rise for most wage-earners, but social security premiums are expected to drop. Industry should see the first stage of a two-phase reduction in the level of corporation tax while the prospect of industrial incentives is likely to be extended.

The Dutch economy is still deep in the grip of economic recession. Unemployment, at 17.5 per cent of the workforce is the worst in the European Community, and the level of investment and profitability within industry are extremely low.

FitzGerald warns EEC not to cut dairy spending

BY JOHN WYLES IN BRUSSELS

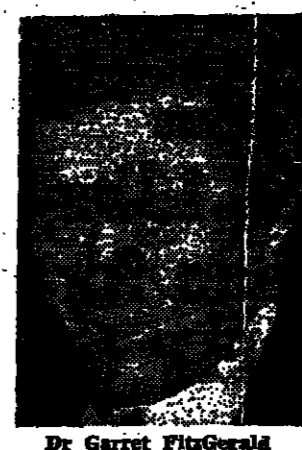
THE IRISH Premier, Dr Garret FitzGerald, yesterday took the highly unusual step of warning the EEC partners that Ireland would block any attempt to cut dairy spending in the Community's dairy sector on the basis of current proposals.

Heads of government rarely intervene in this way when an EEC negotiation is still in its early stages, but Dublin is obviously concerned about the support the European Commission is attracting for its proposal for a "super levy" on surplus dairy production.

This would, in effect, reduce by 75 per cent the price the EEC would pay for all milk delivered to dairies which is more than 1 per cent above a producer's total output in 1981. According to the Commission, the levy would be more than \$270m a year and the effect would be to halt the current 3 per cent per year rise in milk production.

Warning that vital Irish national interests were at stake—the political shorthand used to justify a national veto—Dr FitzGerald said in Brussels that the super levy would "alter fundamentally the economic balance accepted at the time of Ireland's accession to the Community."

He explained that Community membership had cost Ireland 40 per cent of its manufacturing employment as a result of tariff dismantlement. It had always been expected that this would be offset by the green currency system and productivity as a result of access to EEC markets at higher



Dr Garret FitzGerald

prices than had prevailed in Britain—the traditional market for 80 per cent of Irish farm produce.

Milk accounted for 8 per cent of Irish gross national product and the Commission's proposals would reduce Irish GNP by 1 per cent. This would be an "unacceptable situation" which Ireland would not tolerate, he said.

Ireland's agricultural development was at a crucial stage and it must be allowed to realise its comparative advantages. Ireland accepted the case for achieving better balanced agricultural markets and believed that the milk problem could be better dealt with by differential levies on farmers, reforming the green currency system and lowering the access to the EEC for New Zealand dairy produce.

Britain urges pressure on U.S. to end unitary tax

BY OUR BRUSSELS CORRESPONDENT

BRITAIN YESTERDAY urged its EEC partners to press the U.S. Government to try to overturn a Supreme Court judgment upholding the controversial system of unitary taxation of foreign companies.

At the end of a meeting of Community foreign ministers, Mr Malcolm Rifkind, Britain's Foreign Office minister, called for the maximum pressure to be put on the U.S. Government to exercise the opportunity it has until September 23 to call

for a rehearing of the Supreme Court case.

In a judgment handed down on June 27, the court upheld the State of California's right to tax U.S. corporations with a foreign parent on the basis of their world-wide profits.

This so-called unitary system, which is also operated by a growing number of states, is being strongly fought by the British Government. Prime Minister Margaret Thatcher, has already written to President Reagan urging that it be outlawed.

UK claim for £42m falls on deaf ears

By Our Brussels Correspondent

THE BRITISH Government's complaint that it was robbed in July of £42m by its Community partners fell on largely deaf ears at a meeting of EEC foreign ministers yesterday. As a result, Mr Malcolm Rifkind, the Foreign Office minister, the Prime Minister, might be forced to try to prise the money out of the Community head of government summit in Athens.

With France's M Andre Chateaubriand taking a lead, however, several other governments argued that the size of the "additional" rebate on the UK's 1982 EEC budget payments had been fixed by the budget council in July and could not now be re-opened.

But the budget council's behaviour has caused considerable irritation and anger within the British Government, which appears determined to pursue the issue, even if it means the broader negotiations now under way which seek, among other things, a permanent reduction in Britain's payments to Brussels.

London's complaint, repeated by Mr Rifkind yesterday, is that its partners have failed to honour fully an agreement of last October. This provided for a supplement to the 30th European Currency Unit (ECU) rebate if the total 1982 payments to Britain's 1982 payments proved to be higher than £3.5bn ECU.

Unfortunately, there was no precise agreement on how this supplement should be calculated. The payments did break through this ceiling and on British calculations the rebate should be raised by a figure of £42m. The Commission's estimate was £37m but in July, EEC budget ministers, advised by Mr Nicholas Ridley, the Financial Secretary to the Treasury, and a wide range of £24m — £42m less than Britain demands — into a supplementary budget which has since been sent to the European Parliament.

Mr Rifkind claimed yesterday that this figure was "totally arbitrary" and unacceptable. He hoped that it would be corrected while the European Parliament is considering the budget.

Berne takes firm line in Rich affair

By Anthony McDermott in Geneva

THE SWISS Government appeared yesterday to be digging in its heels against the release of documents in the Marc Rich affair. The Federal Council instructed the Foreign Ministry and the Ministry of Justice and Police to take steps to maintain Swiss interests in this dispute with the U.S. tax authorities and the Zug-based trading company, Marc Rich.

Inconclusive talks on the affair between Swiss and U.S. officials were held earlier this month in Berne.

The U.S. authorities have been trying to obtain documents which would enable them to prosecute Marc Rich on tax charges. But the Swiss Government insists March Rich would be in breach of Swiss law if it handed over the documents.

Key French wage talks open

BY DAVID HOUSEGO IN PARIS

THE French Government and the trade unions opened key negotiations on public employees' pay yesterday with wide divergences of view between the two sides.

The negotiations are over claims by unions representing more than 4m employees in the public service that wages this year should effectively be indexed to the rate of inflation. The Government is resisting any automatic increase should inflation this year rise higher—now seems likely—than its 8 per cent target.

Failure by the Government to hold the line would be damaging to its anti-inflation policy this year and its attempts next year to bring wage increases within a planned ceiling of 5.6 per cent. It would also imply a substantial increase in public expenditure because of the importance of salaries within the Government budget.

The Communist-led CGT union, which is pressing hard

to maintain the real level of wages, said later yesterday that an immediate salary increase was needed as a matter of urgency to catch up with inflation.

Wage settlements in the public sector provide for an 8 per cent increase this year in line with the Government's inflation goal. With price increases so far this year of 6.7-6.8 per cent, the rate of inflation for the year is likely to be at least 9 per cent.

Wage agreements in the public sector have ambiguously worded "safeguard" clauses providing for additional increases to make good any losses in purchasing power. It is these that the unions are now trying to enforce. The Government says that the time for a review will be early next year when the final 1983 inflation rate is known.

The centrist Force Ouvriere, which, like the CGT, is militant on pay issues, described yesterday's meeting as "very disappointing" and said that there had been no reply to our pre-occupations.

Only the pro-Socialist CFDT union is less insistent on any immediate catch-up.

The CGT union yesterday started a "week of action" to try to boost the quantity of French newspapers used by the country's newspapers, writes, David Marsh in Paris.

As part of protests over the leading paper company, La Chapelle-Darblay, CGT printers have threatened to block production of any French newspaper using foreign newsprint for this week's print run. The action is essentially symbolic as French newspapers have no choice but to turn to imports to cover a large proportion of their print needs.

Newspaper and magazine proprietors have built up special stocks of domestic newsprint in order to bring out this week's editions on all-French paper.

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Greek exports flag

By Andreas Ierodiakonou in Athens

A FLAGGING export performance and continuing slide in invisible earnings are frustrating the Government's hopes of an economic recovery in 1983 judging by balance of payments figures for the first seven months.

Dollar export earnings fell by 9.7 per cent between January and July. The Government had predicted that export performance would fall to a post-war low last year would be given a fillip by the 15 per cent devaluation of the drachma at the beginning of this year. But inadequate marketing and lack of quality control remain basic problems for Greek industry.

Visible earnings fell by 8 per cent to \$2,953bn in the same period despite the fact that funds from the EEC more than doubled this year to \$453m. The world recession has hit exporters from shipping, tourism and worker-remittances which have been the traditional mainstay of the Greek economy. Mr Gerassimos, Assistant Minister for the National Economy, claimed, however, that an economic recovery is under way. He cited figures showing an overall narrowing of the current account deficit from \$1,255bn to \$1,235bn. But this is attributed to a substantial drop in imports, particularly oil. Slower imports also account for a 4.5 per cent narrowing of Greece's trade deficit.

De Cuellar bid over Cyprus

St Javier Perea de Cuellar, the United Nations Secretary-General, will act as a diplomatic go-between in an attempt to secure a settlement of the Cyprus problem, writes Andreas Ierodiakonou in Athens.

This will be the most active role yet undertaken by a UN Secretary-General over the Cyprus problem and is an indirect admission that the eight-year-old UN-sponsored intercommunal talks will not find a solution.

The intercommunal talks were suspended indefinitely in May when the Turkish Cypriot side withdrew in protest at a Greek Cypriot recourse to the UN General Assembly.

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EUROPEAN NEWS

Communists in France to fight Nato missiles

By PAUL BETTS IN PARIS

THE FRENCH Communist Party, the junior partner in the Socialist-Communist coalition, is to devote its main political effort this winter to campaign against the deployment of U.S. medium-range nuclear missiles in Europe at the end of this year. This issue will be at the centre of a two-day meeting of the party's central committee starting today.

By campaigning so forcefully against deployment if the Geneva disarmament talks collapse, the French Communists find themselves on a collision course with their Socialist allies. But recent declarations by leading French Communist leaders and the secretary of the powerful pro-Communist CGT labour confederation continue to suggest that the Communists have no intentions of forcing a showdown.

M. Henri Krasucki, the CGT leader, said at the weekend that he could not envisage any alternative for the Left in France except for the current coalition between Socialists and Communists.

President Francois Mitterrand and the Socialist left-wing majority, however, have continued to emphasise their tough stance on the missiles. The Socialists have stated repeatedly that France's own nuclear force is an independent strategic nuclear deterrent not to be included in the talks. This is not the position of the French Communists whose leader, M. Georges Marchais, has called for their inclusion.

Domestically, however, the Communists have been telling their members that without the Communists in the coalition, the situation would be worse in France.

Their decision to emphasise the missile issue was reflected at the party's annual fair in the Paris suburbs last weekend. The main party speaker, M. Pierre Juquin, dwelt largely on the peace and nuclear issue during his key-note speech.

M. Marchais will also be holding talks on the issue with Sig. Enrico Berlinguer, his Italian counterpart in Rome next month.

The outcome of the Geneva talks could clearly prove embarrassing for the French Communists in view of their open opposition to deployment of U.S. missiles in Europe. Political observers are suggesting in France that they may want to use differences over domestic economic policy to provide an excuse for an open rift with the Socialist majority.

The Communist central committee meeting will clearly also be focusing on domestic economic problems, including the recently announced 1984 budget. In general, the Communists have endorsed the budget, especially the emphasis on research, investments and training. Like the CGT union, however, they consider the 1 per cent growth target for next year to be inadequate.

The party has also criticised the new ceiling of FF 20,000 a month for the additional income tax in the 1984 budget. It believes the ceiling should be raised to FF 30,000.

The Communists yesterday publicly opposed the proposed asset swap between France's two largest nationalised electronics companies, Thomson and CGE, which would restructure the telecommunications industry.

Threat to Danish coalition grows

By Hilary Barnes in Copenhagen

THE POSSIBILITY increased at the weekend that Denmark's non-Socialist minority Government will fall a victim to Nato's plans to deploy new medium-range missiles in Europe.

The Radical Party, on whose support the coalition depends, decided at its annual conference to oppose deployment by all possible democratic means, even if this causes the Government to fall.

If the nine Radical Party members in the Folketing (Parliament) translate this into parliamentary action this autumn, there will be majority support for a policy toward missile deployment incompatible with continued Danish backing for the Nato decision.

Earlier this month, the missile issue seemed to have been defused when the Radical defence spokesman indicated that the party would not support an anti-missile resolution if it judged it was being used primarily as a lever to oust the Government. This position, however, was peddled by the annual conference.

The question remains highly contentious, despite the fact that Denmark itself is not one of the European countries due to receive Cruise or Pershing missiles on its soil.

The anti-missile majority has already manifested itself on a number of occasions. In May, the Folketing passed a Social Democratic resolution demanding the extension of the Geneva intermediate-range nuclear force (INF) negotiations into next year.

It also opposed any deployment or preparations for deployment of new missiles and called for the inclusion of the French and British missile forces in the INF talks.

The Government agreed at that time to inform Nato of the Folketing's views without adopting them as government policy. This stance will be untenable if a resolution being prepared by the Socialist People's Party is carried in October. It will oblige the Government to "work actively" for the views expressed in the May resolution.

Craxi for Bonn and Hague

By James Sutton in Rome

NATO's NEW missiles will be the key item on the agenda for two meetings which Sig. Bettino Craxi, the Italian Prime Minister, is having this week with foreign leaders.

He will see Chancellor Helmut Kohl of West Germany on Friday and will visit The Hague the day before for talks with Mr. Ruud Lubbers, the Dutch Prime Minister. Last week Sig. Craxi saw President Francois Mitterrand and Mrs. Margaret Thatcher.

The Italian Premier is also meeting Mr. Paul Nitze, the U.S. negotiator at Geneva, at the end of the week in Rome.

Basic food prices rise sharply in Hungary

BY LESLIE COLTBY IN BERLIN

HUNGARY RAISED prices sharply yesterday for several essential foods in a move it said was dictated by poor results in agriculture and industry this year. The price of bread rose 18 per cent, cooking oil 20 per cent, margarine 10 per cent and sugar 23 per cent.

The Communist party newspaper Nepszava said supplies of all the affected foods were sufficient to meet domestic demand. However, reduced sugar beet and seed oil crops, because of a serious drought, had made price rises necessary.

Similarly, bread prices were increased to allow more grain to be diverted for use as fodder. Hungary's considerable exports of meat are expected to be affected by the drop in fodder production. The newspaper said the agricultural losses were compounded by the failure of industry to meet production targets.

Industrial output in the first half of this year grew nominally by one tenth of 1 per cent over the same period last year. This compared with planned growth of between 1 and 2 per cent. Hungarian foreign trade in hard currencies in the first six months showed a surplus of \$300m compared with a deficit in the same period last year. However, a surplus of \$500m will have to be earned in the second half in order to achieve the \$800m target.

The trade union newspaper Nepszava said Hungary's industrial problems resulted from poor management on many levels. A recent government survey, it noted, revealed that Hungary is not using to the best advantage the Western licences it buys. Production of licensed products consumes 15 per cent more materials and is 25 per cent costlier than in the countries where the licences were purchased.

It said that while most Hungarian workers were willing to do more to help overcome the economic problems, they expected everyone from "shop foremen to managers and ministers" to help organise work sufficiently.

East Germany is also experiencing widespread shortages of fodder in the wake of an extremely dry summer. The Agriculture Ministry has ordered collective farms not to use silage and hay until November although the farms report serious shortages of potatoes and sugar beets to feed livestock.

The country recently signed a three-year agreement with Canada worth C\$500m (\$270m) to buy 1m tonnes of grain annually from 1984 to 1986. This is less than half the amount East Germany normally imports in fodder from the West. Until last year, it marginally imported grain from the U.S. but a lack of U.S. credits caused it to shift purchases to West Germany.

Polish Government plans further increases in January

BY CHRISTOPHER BOBINSKI IN WARSAW

THE GROWTH of consumer prices in Poland continues to put pressure on domestic budgets and is making government plans for food price rises in January in order to reduce subsidies all the more of a political risk.

However, recently-published government figures for the first eight months of this year show that crucial hard currency export earnings have recovered from a poor start in the first quarter and that industrial and farming results are also moderately encouraging.

In a move underlining the sensitivity of food price rises, the authorities at the weekend publicly denied that increases were imminent and said that they would be introduced in January, adding around 4 per cent to the cost of living index. Last week, the Government broadened the

subject for the first time and anxiety reflecting the fact that, although supplies of goods to the shops rose by 34 per cent in value in the first eight months, all but 6 per cent of the improvement came from higher prices.

Incomes in the first eight months also grew by 23.1 per cent while spending grew faster at a rate of 34.2 per cent. Nevertheless, the value of incomes was as a result of shortages of consumer durable goods continues to grow. Meanwhile, the government figures show that up to the end of August hard currency exports had risen by 16.5 per cent to Zl 332.5bn (\$3.5bn) and imports at Zl 252.9bn (\$2.7bn) were 19 per cent up on the same period last year. The improvement comes against a background of an 8.5 per cent growth in the

value of industrial production, mainly in manufacturing industry, up until August.

A moderately good grain harvest of 22m tonnes and increased grain sale by private farmers to the state have eased the fodder situation but a fall in meat supplies is in the offing. Figures show that meat supply contracts by farmers in the period up to November have fallen.

Sweden records trade deficit for first time this year

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

THE SWEDISH trade balance dropped sharply out of surplus in August for the first time this year, with a deficit of SKr 3.5bn (\$296m) compared with a deficit of SKr 2.1bn (\$175m) in the same month last year.

Sweden usually records its worst trading performance during August, however, because of seasonal factors, and for the first eight months of the year, the country has still managed to run up a surplus of SKr 7.1bn compared with only SKr 400m in the corresponding period of 1982.

Exports have been growing rapidly this year helped by last year's 16 per cent devaluation of the Swedish krona. Up to the end of August, the value of exports has risen by 25 per cent to SKr 132bn, representing an 11 per cent increase in volume.

The value of exports has increased by 19 per cent to SKr 124.9bn reflecting a volume rise of only 3 per cent. Last year, Sweden ran up a trade deficit of SKr 5.7bn as part of a total deficit of SKr 20.9bn on the current account.

According to a survey carried out by Sweden's Central Statistical Office, Swedish companies expect exports to rise 24 per cent for the whole of 1983, a considerably more optimistic forecast than in the last survey in May.

Companies are more cautious about the export boom continuing during 1984. A survey suggests that the value of industrial goods exported could rise by 9 per cent next year, reflecting a rise in volume of just 2 per cent as the effects of last year's devaluation are diminished by inflation.

Skandinaviska Enskilda Banken, Sweden's leading bank, considers that the country's exports may continue to develop favourably for as long as the next four years as long as a slowdown in the world economy does not occur before 1988. In a new study it maintains that the "international business recovery and the improvement in Sweden's cost position provide opportunities for a shift towards higher economic growth."

Swedish economic policy must reduce demand sufficiently, however, to avoid a new upward spiral of prices and wages.

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AMERICAN NEWS

Work ethic
alive
and kicking
in U.S.

By Paul Taylor in New York

THE "WORK ETHIC"—a desire to do the best job possible, regardless of pay—lives on among U.S. workers and is far stronger than in Europe, but a recent independent study finds that management practices are failing to support and reinforce the philosophy and to tap its full potential.

The study's findings are compiled in a report called "Putting the Work Ethic to Work," produced by the independent non-profit Public Agenda Foundation in New York as part of a three-year international project called "Jobs in the 1980s and 1990s" being conducted in the U.S., the UK, Israel, Japan, Sweden and West Germany.

The study reveals that 52 per cent of the random 425 job-holders in the U.S. interviewed believe in the work ethic compared with 45 per cent in Sweden, 26 per cent in West Germany and 17 per cent in the UK.

But, despite this, the study finds a yawning "commitment gap" with most U.S. workers "holding back" in their jobs. Only 25 per cent say they are working as hard as they can.

The report says that most workers see little or no connection at the moment between how hard they work and the pay they receive and points a finger of blame at managers, suggesting that "incentive and managerial systems are out of synch with changing values and attitudes."

According to the researchers, although there is a widespread belief that the "commitment gap" reflects a decline in the work ethic—more than 70 per cent of the respondents said they believe Americans' motivation to work has declined in the past 10 years—this is not true.

"The conventional wisdom of a deteriorating work ethic is badly off target," the report says. "The American work ethic is strong and healthy, and may even be growing stronger."

Nevertheless, the report's authors, Mr Daniel Yankelovich, an opinion analyst, and Mr John Immerwahr, a university philosophy professor, say that managers have failed to recognise the degree to which industry depends on "discretionary effort," the difference between what workers believe is necessary to avoid being penalised and the maximum amount of work an employee could do.

The study suggests that the U.S. economy's dependence on "discretionary effort" has grown, reflecting the major shift towards white collar service sector jobs and away from manufacturing industry.

While this shift, coupled with technological change, has often made jobs more interesting, it has also increased the independence of a worker to decide how the job should be done.

The report says "the trend towards greater discretion on the job is outrunning present management practices."

But the authors do suggest a list of do's and don'ts for U.S. managers which could improve the position. "There is a real opportunity for managers to improve competitive vitality by taking steps to reinforce the work ethic," they conclude.

Among the steps they suggest should be adopted they highlight: reducing distractions; strengthening the link between financial rewards and job effectiveness; distilling between factors that enhance job effectiveness and those that increase job satisfaction, enforcing high standards of quality and maintaining management hierarchies.

Funding Bill unlikely to be ratified for next week's meeting, reports Max Wilkinson

IMF delegates cast wary glance at Congress

WHEN THE world's financial leaders assemble for the International Monetary Fund's annual meeting in Washington this week, anxious glances are likely to be cast towards Capitol Hill.

The argument in a Congressional committee about a string of amendments to a Bill needed to ratify the 50 per cent increase in quota subscriptions to the IMF is still going on. Although the U.S. Administration agreed seven months ago to the increase, and President Ronald Reagan has personally intervened, it is unlikely to be ratified in time for the meeting and may not even be paid on the due date in January.

The uncertainty could put a brake on the discussions at the annual meeting. Delegates do not wish to say anything which could justify the Congressmen's caricature of the Fund as a gigantic poor box channelling dollars to spend-thrift debtor nations in the Third World. Unfortunately, many of the items which need to be discussed might tend to reinforce that prejudice.

The most immediate topic will be the rapidly increasing call on the Fund's resources from Third World debtor countries, the implications for the Fund's liquidity and whether it should increase its assistance or ease the conditions.

Even more controversial

from the U.S. political point of view, will be discussions within the IMF's sister organisation, the World Bank, about the next tranche of aid needed to replenish the International Development Agency, which gives soft loans to the Third World. The U.S. has so far been extremely reluctant to contribute anything like the rate agreed in the past.

The starting point will be the Fund's annual report, which shows that total commitments to member countries under standby and extended credit arrangements to debtor nations rose to \$25bn Special Drawing Rights (the Fund's own currency) worth £17.5bn last year, a 50 per cent increase over the previous year's level of assistance and easily the highest in the Fund's history.

The Fund's total loans and commitments now amount to more than \$40bn, although this figure includes some commitments to lend in future years. Requests in the pipeline will add up to another \$25bn, making a total of \$65bn.

To meet these obligations, the Fund has \$18bn of SDRs, of which about \$10bn can be used to help members and a further \$8bn of loans from Saudi Arabia and other countries. In January the quota is due to rise to \$20bn, of which about \$15bn will be usable.

It does not, therefore, face an immediate liquidity crisis, but it will need the scheduled rise in quotas early next year if it is to avoid one.

To provide backing for future commitments for which it has not yet got a pledge of matching resources, the Fund has recently been seeking a loan of \$3bn from the Bank for International Settlements, the central bankers' bank in Basle. This would match a further \$3bn loan from Saudi Arabia.

However, even this BIS loan has been held up, largely because of sensitivity about the attitude of Congress. At the BIS central bank governors' meeting last week, agreement was delayed because of uncertainty about the willingness of the U.S. to participate, and the fear that Congress might see it as yet another shovelfull of hard cash into a bottomless pit.

This delay, which is more of an inconvenience than a disaster for the Fund illustrates the difficulties which it faces in getting agreement on some matters. Perhaps the most urgent is the question of whether to increase the maximum amount of assistance which members may be given.

At present this is limited to 150 per cent of their quota subscription in any one year, with an overall limit of six times the quota for assistance under all

the Fund's different schemes.

Assuming that the 50 per cent increase in quotas does take place next year, the maximum access to the Fund's resources by members would rise in line with it if the rules were unchanged.

This is what the developing world wants, but the U.S. would not countenance such an idea. Its starting position is that the amount of cash assistance available to members should remain unchanged, which would imply that the maximum access in one year should become 102 per cent of the enlarged quota.

The U.S. argument is that the quota increase is needed to meet likely commitments under existing rules, not to provide a deeper cushion for imprudent debtors.

Most European countries take the more pragmatic view that some increase in the scale of the IMF's assistance to the larger debtor countries may be inevitable, as rescheduling problems continue for years ahead.

The consensus in Europe now is that access should become about 125 per cent of quota, which would imply a 25 per cent increase in the maximum assistance in any one year.

Final agreement, if there is one, will depend almost entirely on what delegates think Congress will accept and it is expected that a compromise

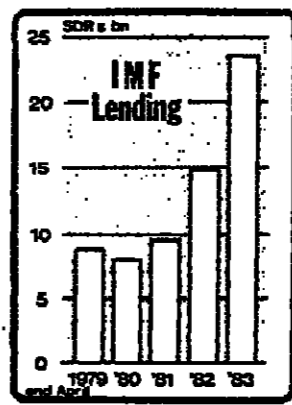
will be struck in the range of 110 per cent to 115 per cent of quota.

One way out of the impasse might be a typically British compromise which has found favour with some other nations. This would be to hold the access percentage down to 102 per cent as a general rule, but to permit enlarged access of 125 per cent of quota in "exceptional" cases and subject to very stern conditions by the IMF.

The other issue before the conference will be whether to authorise a further issue of SDRs which can be used as hard currency reserves by members. An increased issue of SDRs would be the international equivalent of "printing money," and therefore frowned upon by most conservatives and monetarists.

The U.S. is against the idea, and the European countries have agreed that there is no general shortage of international reserves or liquidity to justify an issue of SDRs at present. However, a small issue might be agreed as a concession to those developing nations which see this idea as a sensible way to soften the impact of world recession and help solve balance-of-payments difficulties on the Third World.

Perhaps the most difficult issue for the annual conference will be what should be done to

Ford staff
vote on pay
at Rouge

By Terry Dodsworth in New York

WORKERS AT Ford U.S. vast Rouge vehicle manufacturing complex in Detroit will vote later this week on a controversial plan to reduce wages in the complex's steelmaking facility.

Ford threatened only last week to close the steel unit after prolonged discussions on cost reductions plans ended in failure.

While Ford's tactics have won a swift concession from the union leadership, the Rouge steelworkers have in the past shown themselves adamantly opposed to any pay and benefits reduction plans ended in has too much steelmaking capacity and will close some.

There is some suggestion, however, that other employers in the Rouge complex will not support the steelworkers' attitude. The steelworkers' wages, at \$28 an hour, are reckoned to be about \$5 an hour higher than elsewhere in Ford.

It is understood that Ford has succeeded in reducing these wage rates by about \$4.50-\$5 an hour bringing the 3,850 steelworkers into line with other workers. In return, the company may have promised to upgrade some of the manufacturing facilities to give the plant a longer life. The vote will be taken by all 13,000 workers in the four Rouge factories.

Agreement
expected on
U.S. tax Bill

By Anatole Kaletsky in Washington

THE REAGAN Administration and Congress are likely to agree on a series of small technical measures to raise taxes for the 1984 fiscal year, beginning next month, according to Congressional officials. But this year's tax Bill will fall far short of the \$75bn (\$40bn) of new taxes over three years recommended in principle by the two houses of Congress in the Budget resolution which they passed this summer.

Mr Dan Rostenkowski, the Democratic chairman of the House of Representatives Ways and Means Committee, and Mr Robert Dole, the Republican chairman of the Senate Finance Committee, said yesterday that they would meet this week to draft a tax Bill ahead of a theoretical deadline which expires on Friday for Congressional committees to comply with the Budget resolution.

But following President Ronald Reagan's vehement opposition to the revenue elements of the Congressional Budget, tax increases are unlikely to make any significant impact on projected Budget deficits until at least fiscal 1986, which begins in October 1985, aides to both Mr Dole and Mr Rostenkowski said yesterday.

This year's tax package is expected to consist of nothing more than a few "loophole-closing" measures, mainly connected with sale and leaseback plans operated by municipalities and charities and with certain provisions on life insurance and Government-backed mortgage subsidy bonds. Although the 1984 tax Bill could nominally raise as much as \$12bn, this will be spread over a number of years and will have a negligible impact on deficits running at around \$200bn annually.

Reagan Administration officials have made clear since the economic recovery picked up pace in the summer that the President no longer supports the idea for a "contingency" tax increase which he himself put forward in January. This called for about \$50bn of tax increases to become effective in October, 1985, but to be legislated this year in order to reassure financial markets that a long-term solution to the deficit problem was in sight.

Third World to press for
financial reform consensus

BY HUGH O'SHAUGHNESSY

DEVELOPING countries of the Commonwealth will be pressing for consensus on moves to reform the international financial system and make it more sensitive to the needs of poorer countries at the annual meeting of Finance Ministers which begins in Port of Spain, the capital of Trinidad and Tobago, tomorrow.

The pressure will be centred on a report recently published by the Commonwealth Secretariat which calls for the convening of a new world conference similar to the one held in Bretton Woods in 1944 and which created the World Bank and the International Monetary Fund.

Pressure from the poorer countries in the 48-member Commonwealth will be resisted by more developed members, headed by Britain.

At the weekend Mr Shridath Ramphal, the Commonwealth Secretary-General, held talks in Caracas with Latin American officials dealing with that region's debt problems. During the talks the results of the meeting on indebtedness earlier this month in the Venezuelan

capital under the auspices of the Organisation of American States were discussed.

Among those Latin Americans visited by Mr Ramphal was Sr Carlos Alzamora, secretary-general of the Latin American Economic System (Selsa) which together with the UN Economic Commission for Latin America (ECLA) recently produced a study calling for joint action among debtor countries on world debt questions.

After his talk with Sr Alzamora, Mr Ramphal said that Commonwealth countries would consult informally with the Latin American countries on moves to advance the idea of a "New Bretton Woods" conference. The meeting with Sr Alzamora is likely to prove controversial as Selsa is regarded as a by many influential developed countries.

Latin American debt problems will be high on the agenda on a summit meeting of Latin American Presidents, Ministers and senior officials to be held from November 28 in Quito, the capital of Ecuador, according to Sr Alzamora.

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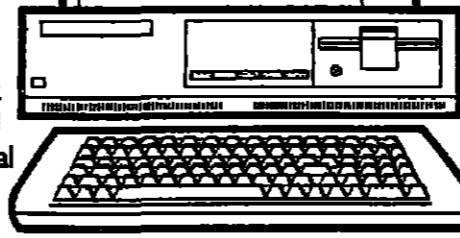
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WORLD TRADE NEWS

DEMAND FOR INTENSIFIED MONITORING OF SENSITIVE ITEMS

EEC warns Japan after watch exports soar

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

THE EEC has demanded that Japan intensify its monitoring of exports of "sensitive" items to the Community following a rise of more than 100 per cent in exports of quartz watches during the first seven months of 1983.

The demand has been conveyed to Japanese officials by Mr Raymond Phan Van Phi, a senior official of the EEC Commission who is now in Tokyo. Mr Phan Van Phi told journalists yesterday that he had warned the Japanese government that it might face safeguard action by the Community if recent trends continue.

Japan agreed in March this year to introduce a special monitoring system for exports to Europe of ten products about

which various EEC member countries had expressed concern during 1982. The list includes cars, motor cycles, light vans, hi-fi products, fork lift trucks, TV sets and machine tools as well as quartz watches. EEC officials said yesterday that shipments of most of the other items appeared to be under control. However, car exports to the EEC have risen by 25 per cent so far this year and there has been a sharp increase in motor cycle shipments to Italy.

As far as watches are concerned, Mr Phan Van Phi said yesterday that figures for eight Community countries indicated a rise of 120 per cent in Japan's shipments up to the end of July. Shipments to Ireland rose by

76 per cent, which Mr Phan Van Phi said could hardly be regarded as an example of "export moderation."

Mr Phan Van Phi's warning on export restraint was conveyed during the first of a series of meetings in which the EEC and Japan will be reviewing the whole of their bilateral trade relationship. The talks, which are due to continue until September 23 are expected to cover recent Japanese "market opening" measures.

One of the EEC's motives in convening the discussions was to try to correct what it sees as a pro-American bias in the recent handling of Japanese trade problems.

The EEC's trade deficit with

Japan increased by 8 per cent to around \$6.7bn during the first eight months of 1983 as a result of a small rise in Japan's exports to the Community coupled with a fall in imports. Japan's trade surplus with the U.S., however, has been growing much faster. Preliminary estimates for the first eight months of the year show that the imbalance in Japan's favour had grown by 26 per cent.

EEC officials yesterday described the Japanese attitude during the first rounds of talks with the Community as "tough." Japan took note of the community's complaints on export restraint. However, there were criticisms from the Japanese side of alleged French

moves to limit imports of the BL-Ronda Acclaim.

The EEC countered that treatment by the French Government of imports of a British made car was an internal problem for the Community.

The results of this week's talks will form the basis of a report on EEC-Japan relations which the Commission will submit to the next European Council meeting (scheduled for October 17). One of the questions to be taken up by the Council is whether or not the Community move ahead with plans to stage "hearings" under Article 23, paragraph II of Gatt about the alleged difficulties of penetrating the Japanese market.

Comecon increases first-half surplus on trade with West

BY DAVID SUCHAN, EAST EUROPE CORRESPONDENT

THE SOVIET Union and its Comecon partners have collectively recorded a surplus of \$2.9bn in their trade with the West in the first half of this year, more than double the \$1.2bn surplus for the same period last year.

According to Wharton Econometrics, a Washington-based research body, the surplus is partially due to the continuing lack of regular western credit, which limited the East bloc's capacity to buy western goods. This has pressured the Comecon countries to boost their exports as a way of generating much-needed hard currency.

This further improvement, which started in mid-1982, in the East's trade position with non-socialist countries is "a significant achievement under

rather adverse market conditions," Wharton says. It notes that in real volume terms Soviet and East European exports to the West have risen sharply this year—in excess of 12 per cent—because of the weak oil world price and some price cutting by Comecon countries.

By contrast, imports from the non-socialist world to the Soviet Union increased by less than 1 per cent and to the six East European members of Comecon by 2.5 per cent in the first six months of 1983.

The Soviet Union has reduced its trade deficit with the non-socialist world to \$444m in January-June this year, down from \$867m in the first six months of 1982. Wharton expects further improvement this year, in view of expected

gas exports to Western Europe with the near completion of the trans-Siberian pipeline, a probable firming of the oil market, and somewhat reduced grain imports this year.

The 1983 harvest has been a great improvement on the previous four, though Moscow has agreed in the long term to buy larger amounts of U.S. grain. Thus Wharton believes it earlier estimate of a 1983 Soviet trade surplus with the West of \$2bn may be too low.

Wharton estimates that the six Comecon members in Eastern Europe chalked up a \$3.4bn trade surplus with non-socialist countries between January and June this year, a highly dependent on its assumption of big trade gains by East Germany.

European steel producers at odds over U.S. quotas

BY JOHN WYLES IN BRUSSELS

THE OPERATION of the EEC's steel export restraint arrangement with the U.S. showed some internal strains yesterday with governments lodging claims for increased quotas.

After a brief discussion, Community foreign ministers happily referred the issues back to their committee of experts.

One problem derives from a Greek claim for approval to step up its shipments to the U.S. of some steel products by 20,000 tonnes. This has met with a frosty response from other governments whose shipments would have to be adjusted accordingly. They pointed out yesterday that Greece has already been allowed to boost its exports to the U.S. by 11,000 tonnes this year under an agreement that implied a standstill on Greek shipments.

The other argument about quotas stems from the use of inaccurate statistics to determine export quotas for tin plate and machine wire. France led the way in demanding compensation for losses suffered because of the inaccuracies and this too will have to be negotiated at expert level.

Ministers formally confirmed the European Commission's quest for compensation from the U.S. for its application in the summer of 1982 of quotas on special steel imports. They called for a settlement within the Gatt as quickly as possible and the EEC will be looking for decisive progress in negotiations with the U.S. in Geneva on October 5. They welcomed the fact that the U.S. appears to have accepted the principle of compensation.

Boeing set to beat Airbus in Egypt deal

By Charles Richards in Cairo

THE EGYPTIAN Minister of Civil Aviation, Mr Tewfik Abu Ismail, has signed a letter of acceptance for the purchase of three Boeing 767 airliners with an option on two more, in preference to the Airbus Industrie A-310-200.

Both Boeing and Airbus were offering similar prices of around \$80m per aircraft, with financing from their respective government export credit guarantee departments. Egyptair is believed to have chosen the 767 extended range model because of its greater versatility.

Airbus Industrie considers the competition to be finished. The ambassadors from the three manufacturers of Airbus—France, West Germany and Britain—visited the minister after the letter of acceptance was signed to point out that Airbus had received a letter of intent at the beginning of the year.

Boeing hopes a contract will be signed during the visit of President Mubarak to the U.S. at the end of this month. But they are aware, especially in the light of the Airbus experience, that a deal is not concluded in Egypt until the contract is finally signed.

Egyptair already has seven Airbus A-300s, and seven Boeing 737s for use on domestic and regional flights. It also leases one Boeing 747 for its newly inaugurated Far East run.

Our World Trade staff adds: The setback for Airbus Industrie is one of two administered by Boeing in recent days. Air Algérie, the national airline of Algeria, has ordered 100 operator jetliners valued at \$50m. The aircraft will be powered by Pratt and Whitney JT8D-17A engines, and will be delivered in October.

The purchase puts Air Algérie in the Boeing camp, and brings to 17 its fleet of 737s. It also operates 11 727s, three Lockheed Tri-Stars and two Airbus A-300s.

Boeing received a signal of support from Mr William Draper, head of the U.S. Export-Import Bank, who said last week that Exim is committed to maintaining its financial backing of U.S. aircraft sales abroad and that Congress appeared willing to provide the necessary money. He said he will ask Congress for \$100m for loan guarantees and \$2.5bn for direct loans, the same level as last year.

Ericsson wins \$44m Colombian telephone order

By David Brown in Stockholm

ERICSSON, THE Swedish Telecommunications group, has announced it has signed two contracts worth \$44m to provide its AXE transit telephone exchanges to the Colombian Telecommunications authority.

Of the total, roughly two thirds is denominated in Colombian pesos. The contract includes local component assembly, as well as installation of the long distance system under a previous agreement with the Colombian Government. The largest exchange will be based in Bogotá and is equipped to handle 21,000 trunk lines and has 100 operator positions. A smaller exchange for the city of Barranquilla will handle 8,000 trunk lines with 25 operator positions.

The deal is the fourth order for AXE exchanges in Colombia, for a total of 350,000 lines. A further 1m lines are serviced by earlier generation Ericsson equipment out of a total of about 2m lines overall.

Ericsson had sales of SKr 19.8bn (£1.7bn) last year, of which 16 per cent was generated in Latin America, where its market share is 42.8 per cent of all public exchanges.

Swedish company withdraws drug

By Our Stockholm Staff

ASTRA, the Swedish pharmaceutical company, decided yesterday to halt sales of its anti-depressant drug Zelnid because of reports of "potentially serious side effects." Zelnid was introduced last year and is sold in Sweden, West Germany, the UK, Holland and Belgium. The company issued an advisory notice in May limiting prescription of the drug to specialists after reports of possible adverse reactions.

Zelnid sales — of approximately SKr 50m (\$8.4m) in the first six months account for about 2 per cent of total group turnover which was SKr 2.7bn last year. The decision to halt sales came because Astra had not been able to identify the reason for adverse reaction. In a small number of patients about 1-2 per cent of users, according to Mr Peter Sjostrand.

India-UK defence equipment talks focus on research

BY JOHN ELLIOTT IN NEW DELHI

PRELIMINARY talks have taken place between India and the UK on a long-term defence sales agreement under which the two countries would co-operate in research and development as well as engaging in more traditional sales and joint production contracts.

India concluded a defence sales agreement earlier this year with France. It also has government-to-government arrangements with Russia, its other major defence equipment supplier.

The general aim of an agreement with the UK would be to provide an umbrella to cur procedural delays on individual orders and to guarantee India continuity of deliveries, even if the UK disapproved of its military actions.

This emerged from routine defence talks between the two countries following a visit to India last year by Mr John Nott, then UK defence secretary.

But talks focused on how the two countries would handle

research, development, exchange of technical information, production and procurement and implementation of contracts.

This list reflects India's determination, evident in a number of high technology industrial fields, to gain as much know-how as possible from its foreign purchases so it can move into new areas of research, development and production to meet later needs, in the meantime it wants severely to limit its expenditure on foreign purchases.

The British Government is now consulting UK defence manufacturers before starting what could well be a long and complex round of negotiations. Progress will be discussed when Mr Venkataraman Minister of Defence, visits London next month.

Britain's current sales to India include Sea Harriers, Sea King helicopters, Sea Eagle missiles, and Jaguar fighter aircraft.

British slow to take up aid-funded business

BY CHRISTIAN TYLER, WORLD TRADE EDITOR

THE VIRTUAL collapse of some developing country markets under the weight of foreign debt has directed the attention of industrialised countries' exporters towards aid-funded business.

About \$10bn of aid funds were disbursed last year, of which just over half came from the World Bank, according to a senior official of Barclays Bank International in London yesterday.

But UK companies appeared to be slow in realising the opportunities, said Mr Malcolm Stephens, the bank's international finance director. Mr Stephens was launching a private sector initiative to help companies through the some-

times complicated procedures involved in supplying goods under aid programmes.

He suggested that for many large contracts a mixture of aid and commercial funding would be increasingly necessary. A committee to be called the "Aid-funded Business Advisory Service" is being set up, including representatives from the Department of Trade and Industry, the London Chamber of Commerce and five companies with experience in the field.

A breakdown of the World Bank lending programme showed that agriculture, energy and transportation were the main sources of aid-funded business.



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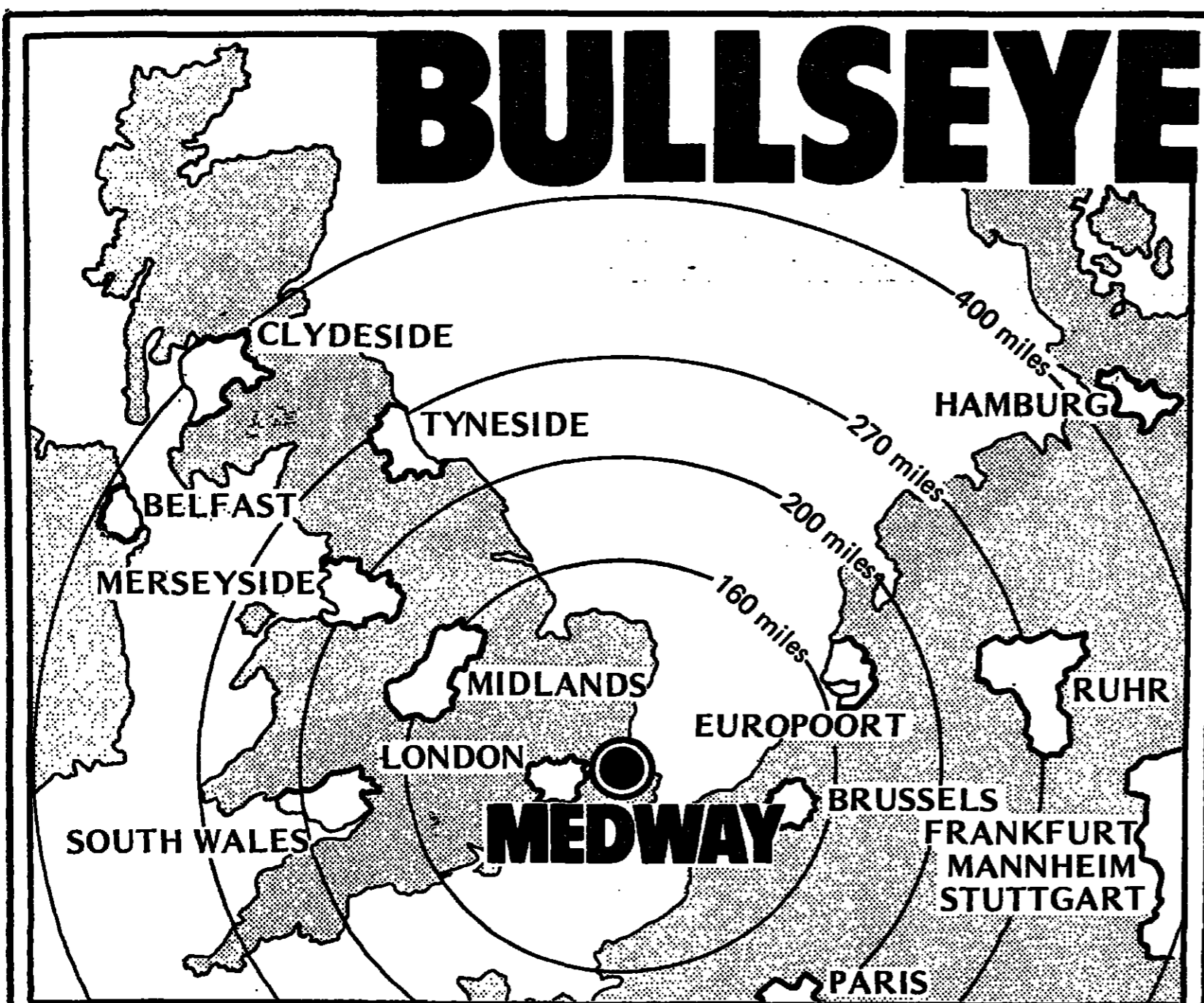


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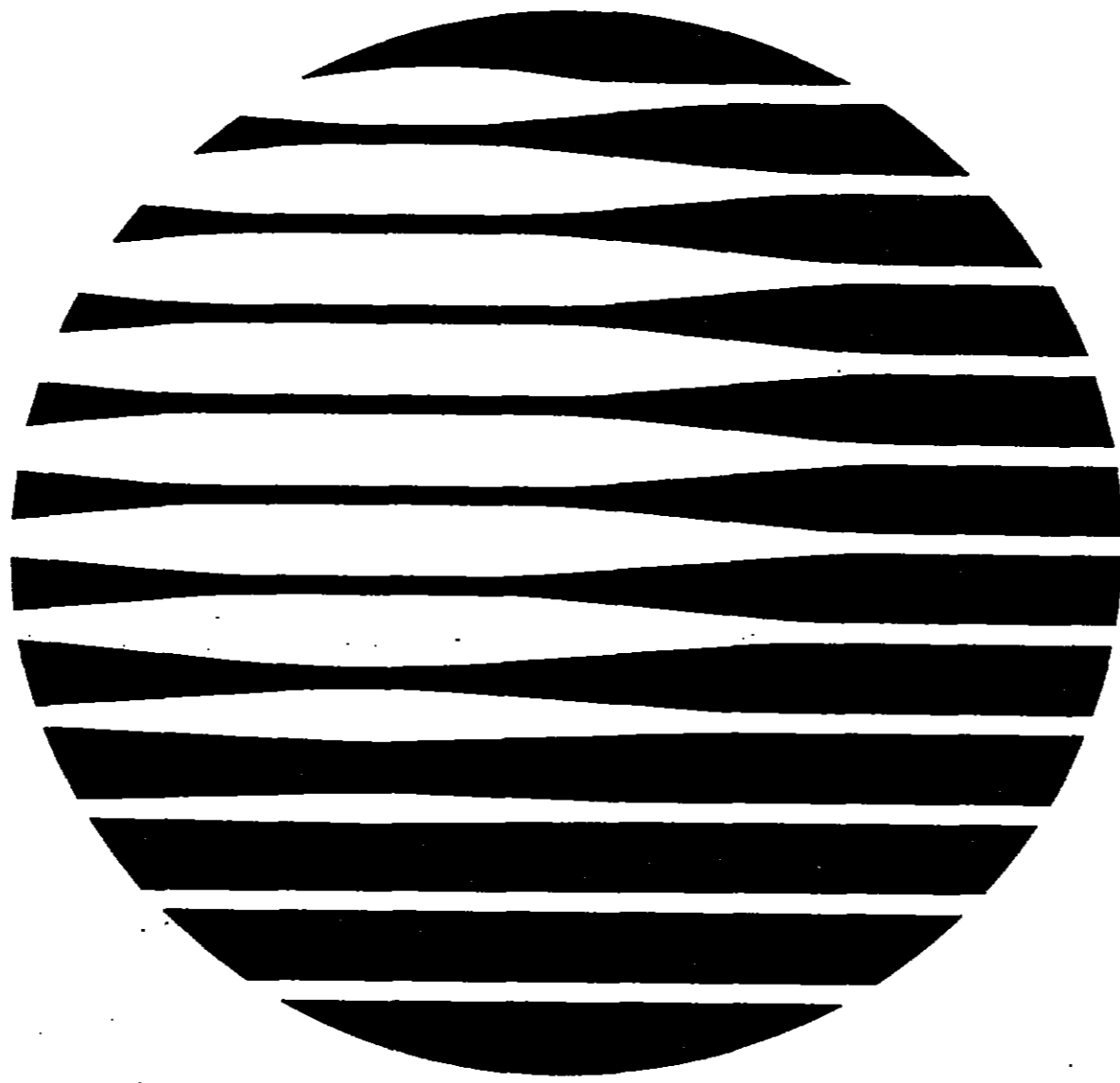
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UK NEWS

Liberals likely to heal Euro-elections split

BY PETER RIDDELL, POLITICAL EDITOR

AN IMMEDIATE public row between the Social Democratic Party (SDP) and the Liberals over the joint selection of candidates for next June's European Assembly elections looks likely to be avoided, despite the different views of the two parties on what has become the key symbolic issue of future relations in their Alliance.

This has become clear in Harrogate on the eve of this afternoon's formal opening of the Liberal Assembly. There were increasing signs yesterday that vocal critics of Mr David Steel's style of leadership of the Liberal Party are a minority and that the party's discussions may be more united and less acrimonious than the leadership feared.

Joint selection has emerged as an indicator of attitudes towards the Alliance within both partners. At its



Mr David Steel
Salford Conference last week the SDP voted against joint selection except in exceptional circumstances, since that might lead to a

merger. On Sunday, the Liberal's national executive committee came to a more permissive view, arguing that joint selection should be permitted when sought by local parties.

Both the SDP and the Liberals have been putting glosses on a joint, although ambiguous, agreement on the issue reached nearly a fortnight ago. The Liberals' decision was a direct response to the independent approach of Dr David Owen of the SDP last week and to what leading Liberals see as his patrolling attitude to them.

The SDP view is that the agreement will not be renegotiated. The outcome will, therefore, now depend on whether Dr Owen and his allies or the Liberals are right in their respective views about the extent of local demand for joint selection.

Meacher wins support from TGWU as Labour deputy

BY BRIAN GROOM AND JOHN LLOYD

THE TRANSPORT and General Workers' Union (TGWU) yesterday guaranteed a tense climax to Labour's deputy leadership race when it committed its massive block vote to Mr Michael Meacher.

The general executive council's simultaneous vote for Mr Neil Kinnock as leader merely sets the seal on what has been regarded for some months as a fait accompli. However, its clear majority for Mr Meacher against the advice of Mr Moss Evans, the TGWU general secretary and his two senior colleagues gives the left-wing candidate 1.25m votes, or 8.5 per cent of the electoral college.

The Meacher camp last night hailed the decision, for which it has lobbied hard, as guaranteeing a close contest. Mr Roy Hattersley's (Mr Meacher's right-wing opponent) backers conceded it would be close, but believe he will pick up such left-wing unions as the Post Office Engineers and the print union Sogat 82 - together with a substantial minority of constituency parties and a majority of MPs - enough to assure him of victory.

Mr Meacher got a further, though



Mr Roy Hattersley

expected boost by winning the support of the left-wing white collar engineering union, AUEW Tass, with some 100,000 votes; while Mr Hattersley took comfort from the 400,000 votes of the shopworkers union Usdaw - again a predicted result.

Both unions chose Mr Kinnock for leader.

The TGWU decision was taken without the benefit of consultation

with the union's 1.6m members: Usdaw conducted a branch ballot (which showed a majority of 187,429 for Kinnock as leader against 39,516 for Hattersley, and a majority of 132,890 for Hattersley as deputy against 49,310 for Meacher) while Tass held regional consultations.

Mr Larry Smith, the TGWU's executive officer, said after the meeting that the vote by the executive could not be overturned by the union's delegation to the Labour Party conference, because the union's biennial conference had agreed that the executive should decide.

Defending the union's decision not to consult its members, Mr Smith said: "Our union just hasn't got the funds to pay for a postal ballot." Two years ago, a partial ballot of the union showed a majority in favour of Mr Denis Healey as deputy leader - though the TGWU vote was subsequently cast for Mr Tony Benn in the final run-off.

During the 80-minute discussion on the party's leadership, Mr Evans argued that the Kinnock-Hattersley "dream ticket" represented the best chance of unifying the party

Vauxhall workers to plan pay tactics

By Our Labour Staff

SHOP stewards representing Vauxhall's 14,500 hourly paid workers will meet in Coventry tomorrow to devise ways of forcing the company to raise its pay offer, worth 6.5 per cent over 15 months.

According to some stewards, the threat of an all-out strike backed by a blockade on imports of Vauxhall-Opel vehicles is likely. The timing of any such move, however, remains uncertain.

It is unlikely to be implemented until after a negotiating meeting with the company scheduled for Friday. Even though the company is stressing that the meeting is routine, stewards hope to build up pressure at this point.

Vauxhall describes the money value of its offer as final, but further discussion on the timescale and on fringe elements may be possible. It is also possible, however, that pay will not be among the items the company wishes to discuss on Friday.

There were further strikes yesterday by 300 electricians at Vauxhall plants in Ellesmere Port, Cheshire, and Luton, Bedfordshire, but production was not disrupted. Sporadic strikes over pay have so far caused the loss of output worth more than £3m at showroom prices.

The current offer consists of 6 per cent on basic rates from September 12 to the end of December. From January for 12 months the increase would be 8 per cent, including a £1 consolidation of bonus.

The deal is worth 6.5 per cent over the full 15 months and would raise an assembly line operator's weekly basic pay to £116.22. The unions are claiming a £25-a-week rise.

● The method and timetable for British Leyland's privatisation was discussed in private talks last night between the company and Mr Cecil Parkinson, Trade and Industry Secretary.

Mr Parkinson had visited the West Midlands where he was given presentations on the constituent companies. He said afterwards that the company and the Government agreed that the privatisation was "a top priority."

Indicators point to a gradual economic recovery into 1984

BY ROBIN PAULEY

FURTHER SIGNS that the British economy is recovering, albeit slowly, were provided by the Government's Central Statistical Office yesterday. All the cyclical indicators which the Government uses to try to map the path of the economy suggest that the upturn in the business cycle should be maintained well into 1984.

The cyclical indicators are not always reliable on a monthly basis, and the longer leading indicator sometimes tends to predict growth which turns out to be a stagnant economy. However, all four indicators are currently giving the same signal of improvement.

The longer leading indicator predicts changes in the economy one year ahead. After three flat months between April and June, this index moved from 112.8 in March to 113.0 in July and 113.3 in August (1975 = 100), its highest point this year.

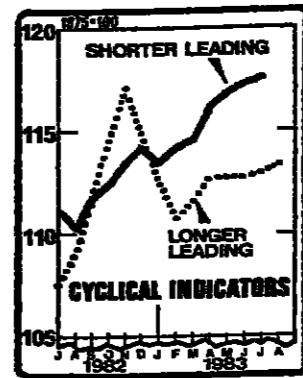
The improvement mainly reflects an increase in share prices and a further small fall in short-term interest rates, although housing starts and business optimism have exerted a downward influence on the index in recent months. But the increase in the index will provide the Conservative Government with ammunition to support its claim that a sustained recovery is under way against gloomier predictions from some City of London analysts and Confederation of British Industry forecasters that growth could slow down or peter out by next year.

The shorter indicator, which predicts changes over the next six months, has advanced slowly but steadily from the spring, rising from 114.8 in March to 117.3 in June and 117.6 in July. The main factor behind its rise has been the growth in new car registrations.

The coincident indicator, which shows the present state of the economy, rose to 112.4 in July compared with 112.0 in June, continuing its steady rise since the British economy hit the trough of recession in

mid-1981. Only the volume of retail sales has declined in July and August; all the other components of the coincident indicator - national expenditure, output and income, industrial production and capacity utilisation - have improved.

The lagging indicator shows turning points in the economy a year after they have occurred.



Councils step up fight for survival

By Our Economics Staff

THE SIX English metropolitan county councils, which the Government intends to abolish in April 1986, yesterday called in Coopers and Lybrand Associates, management and financial consultants, to conduct an independent inquiry into the costs of abolition.

The councils - West Yorkshire, South Yorkshire, Merseyside, Greater Manchester, West Midlands and Tyne and Wear - announced the inquiry after failing to persuade Mr Patrick Jenkin, Environment Secretary, to carry out an independent review of local government.

The metropolitan counties are also considering whether an independent review of metropolitan government financing, structure and function might be conducted under the independent auspices of an organisation such as the Royal Institute of Public Administration or the Nuffield Foundation.

The first phase of the Coopers and Lybrand inquiry will begin immediately and report by the end of October, when the Government's White Paper - a policy document - should have been published.

This phase will seek evidence that the metropolitan counties are wasteful and inefficient, as claimed in the Conservative election manifesto. It will also consider the cost implications of their abolition and assess whether a different form of organisation would increase or reduce costs.

The second phase, from October to February, will examine the metropolitan services and their costs alongside the Government's alternative options in the White Paper.

Some functions, such as transport, will be examined in every one of the counties. Other functions will be looked at in two or three of the authorities. The inquiry in West Yorkshire, for example, will cover police and transport, while in South Yorkshire fire, transport and land use planning will be examined.

Mr John Gurnell, leader of West Yorkshire Council, said of the talks with Mr Jenkin: "He had nothing new or constructive to offer, while at the same time it was patently clear that his mind and Mrs Thatcher's were set on getting rid of the metropolitan counties at any price."

Mercury to lay cables on railway tracks

By Jason Crisp

MERCURY, the private-sector telecommunications company, is to pay British Rail more than £2.25m a year for the right to lay optical fibre cables alongside railway tracks.

Negotiations between the two organisations have been going on since Mercury was granted a licence by the Government in 1982. The agreement was signed yesterday.

The main problem had been British Rail's potential liability for development land tax. The Government has now removed that obstacle.

Mercury is a joint-venture between Cable and Wireless, BP and Barclays Merchant Bank. It is to compete with British Telecom, providing advanced network services mainly for businesses. Mercury is to install a loop linking London, Bristol, Birmingham, Manchester, Leeds and Stoke on Trent.

Opposition to the project has been threatened from the Post Office Engineering Union, the main union at British Telecom.

Cellular radio deal, Page 10

Shipowners rebuffed on redundancy plan

BY OUR LABOUR STAFF

SHIPOWNERS yesterday failed to persuade union leaders of Britain's 48,000 officers and ratings to accept major reform of the industry's redundancy scheme, aimed at curbing the heavy burden of central costs borne by members of the General Council of British Shipping.

The council wanted to scrap the central scheme, which operates under the Merchant Navy Establishment (MNE), and switch to payments at company level. These would still have been based on aggregated service within the industry as at present, rather than with a single employer.

Proposals would have cut the overall cost to shipowners of centrally-funded severance payments - £4.2m last year - by bringing the system into the state redundancy scheme. Under this, the Government would fund 41 per cent of statutory payments.

But the unions made two objections at a meeting in London yesterday. First, they complained that a seafarer would have to decide whether to take redundancy from the industry when he left a job. At

present, he can decide later, while in the industry's unemployment "pool."

Second, unions said that if the issue of redundancy payments was being opened, they wanted to press for the money to be increased. Mr Jim Slater, general secretary of the National Union of Seamen, argued that dockers and steel workers received redundancy money well in excess of that available to seamen.

Ratings taking redundancy from the MNE pool have been receiving payments averaging between £2,000 and £2,500 each. These may be topped up by company severance payments, but even so they fall well below the £22,500 recently on offer to registered dockers.

The unions' rebuff is a severe blow to the general council. Further soundings will be taken among member companies, but no further talks with unions have been suggested.

There are fears that failure to cut central costs will put further pressure on financially-troubled companies to leave the 160-member general council.

Brown Boveri take the lead contractor role in building Riyadh 8— an 800 MW power plant composed of 16 gas turbine sets.* The partners partners choose.

* Value on receipt of order
riyals 1.3 billion
(c. SFr. 800 million)

Completion 1984

In January 1982 Brown Boveri, pioneers of the industrial gas turbine, were appointed by the Saudi-Consolidated Electric Company in the Central Region (SCECO Central) to act as main contractor to build and equip Riyadh 8, a turnkey gas turbine power plant of 800 MW.

The first sets are already running. And when the last of the 16 comes on line in 1984, BBC gas turbines will provide almost 60 per cent of Riyadh's electricity.

Included in the project are the necessary transformers and switchgear. And a computerized command centre to supervise and control the plant systems.

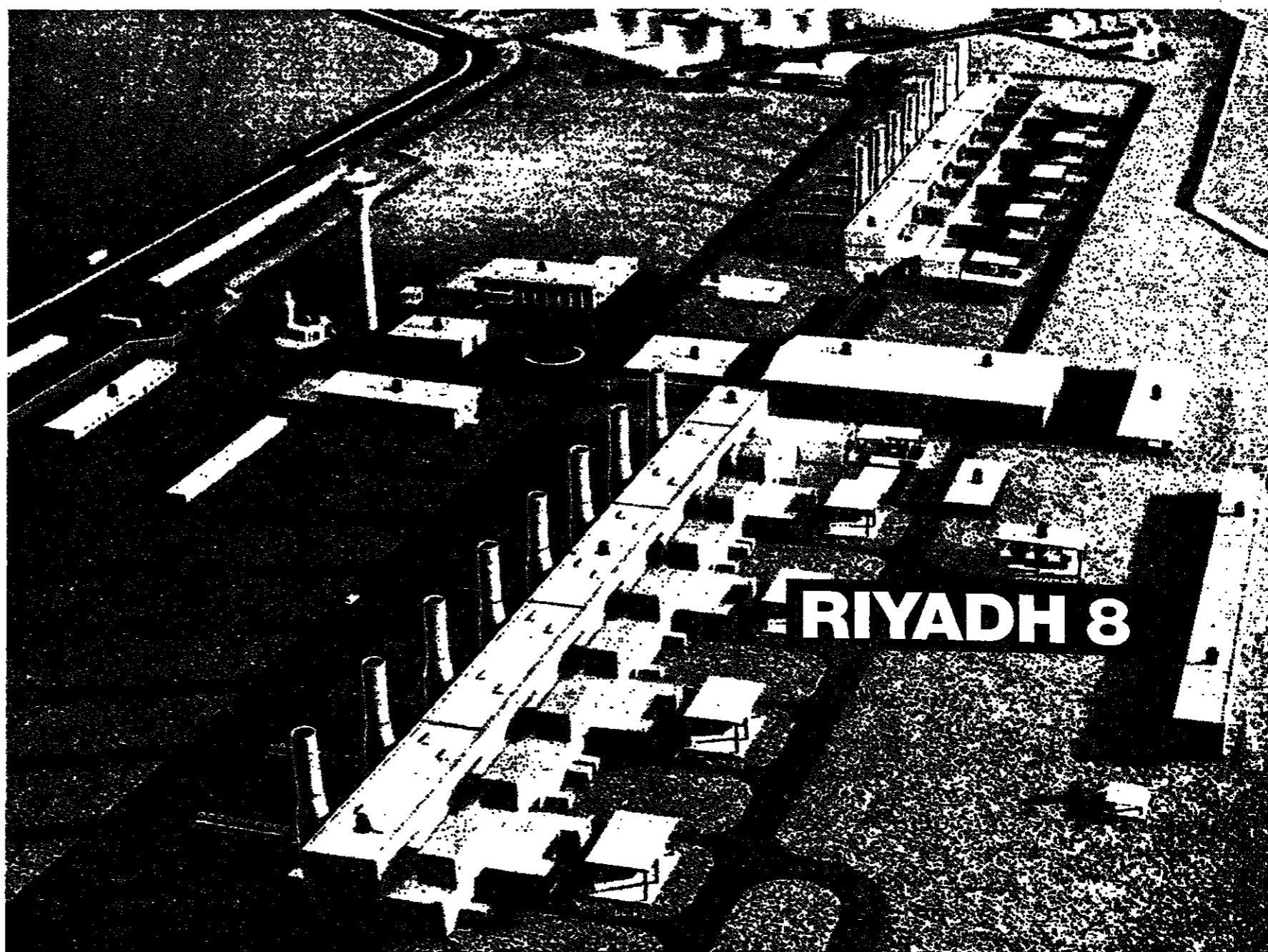
Together with all the auxiliaries and ancillaries, such as standby generation facilities, fuel unloading and transfer, eight crude oil tanks of 19 500 m³

each, a watertower 60 m high, an effluent treatment plant, and a fuel pipeline. And the safety and security systems.

All the civil engineering work and buildings, too. Workshops, stores, offices, accommodation for fire brigade and guards, a mosque.

Brown Boveri play a vital role in providing the world with facilities for generating, distributing and utilizing electricity. Whether as main contractor, as head of a consortium or as consortium member, Brown Boveri are there. Accepting the challenge of the different, the complex and the new—every day and everywhere.

By committing their worldwide resources to the attainment of technical excellence in joint enterprise with others, Brown Boveri are ready to take the lead.



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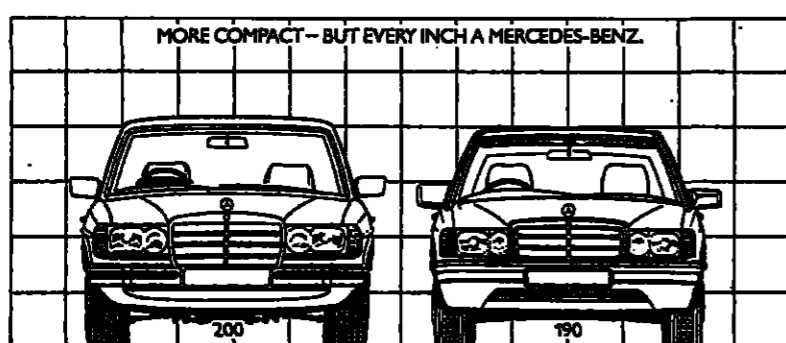
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Send to Valerie Boffer, British Olivetti Limited, 86-88 Upper Richmond Rd., Putney, London SW15 2UR. Tel: 01-785 6666.



The new compact Mercedes-Benz 190 is a foot shorter and 600 pounds lighter than its cousin, the 200 saloon. But thanks to ten years of intensive research and development, and some of the most advanced automotive engineering on the road, it is every inch a Mercedes-Benz.

As Steve Cropley, Editor of 'Car', wrote: "Few things are small about the stunning Mercedes-Benz 190 - apart from the road area it occupies."



1973: THE CONCEPT

The 190 is based on a unique concept: to produce the first car offering the build-quality, integrity, safety and comfort of a Mercedes-Benz in compact form. It took ten years to meet the triple objectives:

1. Achieve lively performance and low fuel consumption.
2. Produce Mercedes-Benz standards of comfort and safety.
3. Ensure that the total reliability matched those of the other cars in the range.

Had all three objectives not been met superbly, there would have been no Mercedes-Benz 190 in 1983.

SPRINTER AND MARATHON MAN IN ONE

FUEL CONSUMPTION TEST: 190 (190E)						
Transmission	Simulated Urban driving		Constant speed driving 90km/h (56mph)		Constant speed driving 120km/h (75mph)	
	L/100km	mpg	L/100km	mpg	L/100km	mpg
4-speed manual	10.7 (10.3)	26.5 (27.6)	6.5 (6.4)	44.3 (43.9)	8.4 (8.3)	33.7 (34.1)
5-speed manual	10.7 (10.3)	26.5 (27.6)	5.8 (5.8)	48.7 (48.9)	7.8 (7.8)	36.3 (36.2)
Automatic	10.5 (10.3)	27.0 (27.4)	7.0 (6.9)	40.4 (41.0)	8.9 (8.7)	31.7 (32.5)

There are two engine options and three gearbox options. The 190 has a two-litre, carburettor engine; the 190E's two-litre engine is fuel-injected. Both models are available with 4- or 5-speed manual gearboxes or a 4-speed automatic.



The outstanding figures in the chart show what can be achieved when an exceptionally low co-efficient of drag (0.33) and high-strength, low-weight materials are combined with totally refined engines and gearboxes.

THE 190: TWO LITRE CROSS-FLOW FOUR-CYLINDER ENGINE, REFINED TO PERFECTION

The cross-flow units in the 190 and 190E achieve high torque at low engine speeds, so manoeuvres like overtaking in heavy traffic are effortless, and the smoothness and quietness with which they are accomplished is decidedly unusual for cars of this size.

And, because four cylinders have a lower friction-loss factor and occupy less space, they contribute to less fuel consumption.

The 190's engine produces 90DIN/hp, and has contactless, transistorised ignition.

THE 190E, WITH THE WORLD'S MOST ADVANCED ELECTRO-MECHANICAL FUEL INJECTION SYSTEM

The 190E's fuel injection system combines the reliability of a mechanical system with the advantages of electronics; the electronic 'fine tuning' helps reduce fuel consumption by varying the mixture according to the driving situation, and incorporates a fuel cut-off on the over-run.

FIRST COMPACT CAR THAT FEELS LIKE A MERCEDES-BENZ

By developing a new coil-spring shock absorber strut front suspension as well as a revolutionary new, patented multi-link rear suspension, the engineers have achieved the same legendary 'ride' characteristics as the larger Mercedes-Benz models.

LESS IS MORE

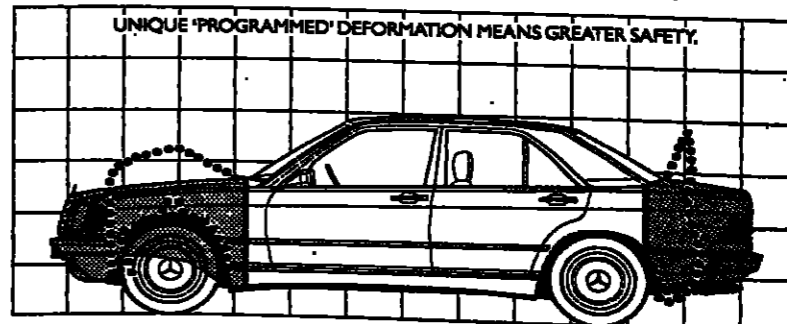
The 190 is not a long car, but it has an unusually long wheelbase, which combines with the powerful engine to allow a dynamic driving style in maximum safety and comfort.

The overall length is only 14 feet 6 inches, the turning circle just 34 feet 10 inches. Yet the 190 transports four full-sized adults in comfort.

SAFETY THAT EXCEEDS ALL INTERNATIONAL REGULATIONS

The active and passive safety features of the 190 match the standards set by other Mercedes-Benz cars, exceeding, by far, all national and international safety standards.

This is only possible because the 190's sturdy, light-weight design is unique. High-strength micro-alloyed sheet metal, light alloys and special plastics have been used to reduce weight without reducing strength or quality.



ENGINEERED LIKE NO OTHER CAR IN THE WORLD

The compact 190 exists in 1983 because it is not a small car in any conventional sense. It is every inch a Mercedes-Benz.



UK NEWS

Foreign banks challenge credit transfer plan

BY OUR BANKING CORRESPONDENT

FOREIGN AND merchant bank users of the proposed Clearing House Automated Payment System (Chaps) want to change some of the rules to reduce what they consider to be unfair advantages enjoyed by the UK clearing (cheque book issuing) banks.

Some banks say that they will not sign contracts to join the system until the problems are ironed out. Chaps, due for launch in February, is a sophisticated credit transfer system that will enable banks and their customers to make payments for settlement on the same day without a cheque. In the City of London it is expected eventually to replace town clearing, a manual system operated by the Committee of London Clearing Bankers to handle big cheques.

To participate in Chaps, banks will have to sign up with one of the 13 UK clearing banks. But the non-clearers have two objections to the present proposals.

They fear that, because of Chaps' rigid 3pm cut-off time for same-day settlement, they will be forced to balance their books in market con-

ditions that could be hectic. The clearing banks, by contrast, will be able to balance their books in comparative calm after everybody else. Mr R.W. Smith, vice-president of Morgan Guaranty, the large U.S. bank, who is negotiating for some changes, said the non-clearers wanted staggered deadlines so that banks would have more time to settle after the last commercial payments had gone through.

Their other concern is that the clearing banks do not have the same message formats and protocols. This not only complicates a system which is supposed to be super-efficient, but also makes it harder for a participant to switch his business from one clearer to another.

Clearing banks, however, are not in a mood to yield. They deny that they enjoy any advantages, and claim that it is in the nature of the banking system that they have to balance their books after everybody else. Nor are they willing to standardise their communications which, they say, have evolved through natural competition.

Unquoted investment register set up

By Tim Dickinson

ELECTRA Risk Capital, a subsidiary of Electra Investment Trust, has devised a new way for private investors to take advantage of the Government's business expansion scheme.

Mr R.W. Smith, vice-president of Morgan Guaranty, the large U.S. bank, who is negotiating for some changes, said the non-clearers wanted staggered deadlines so that banks would have more time to settle after the last commercial payments had gone through.

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Gloomy prediction on jobs front in food manufacturing

BY CARLA RAPOPORT

THE OUTLOOK for increased employment in food manufacturing during the next few years is not promising, according to Mr Ronald Wilson, president of the UK Food Manufacturers' Federation.

Mr Wilson said that although output had kept up during the recession, profitability had not kept pace. As a result, a period of low investment and poor employment prospects lay ahead for the industry.

He said that in real terms the industry's pre-tax profit as a percentage of sales was only 2.53 per cent for the year to July.

Mr Wilson said: "We do need, as an industry, to invest more in mar-

keting... in research and development... in plant modernisation. But to invest more, we need some relief from the present squeeze on our costs and margins."

Speaking at the federation's annual lunch, Mr Wilson urged retailers to promote new products. "A static market should not have to mean a static industry or a narrow-minded approach to marketing," he said.

Another speaker, Sir Campbell Fraser, president of the Confederation of British Industry, said it would be unwise to depend on reducing exchange rates to stay competitive.

Dearer vegetables

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SHARP rise in the cost of fresh produce has significantly increased the Financial Times Grocery Price Index for August. The increase followed a slight fall in July.

The July figure was 150.02, from a June figure of 151.84. The figure fell mainly because the hot summer made fresh produce supplies cheap-

er and more widely available. The end of the hot spell led to higher fresh produce prices.

The Fresh Fruit and Vegetable Information Bureau points out that because of the summer drought "supplies of many vegetables are down and this has prevented the usual easing in price at this time of year."

Oldest motorcycle magazine to close

By Alan Wright

A SHARP FALL in UK motorcycle sales was blamed yesterday for a decision to close the world's oldest motorcycle magazine.

Motor Cycle Weekly, founded in 1903, part of the Reed International publishing group, said yesterday that bankruptcies among Britain's motorcycle dealers were the highest on record.

Display advertising in specialist motorcycle publications fell 18 per cent in value in the year to June 1983. Motor Cycle Weekly's share of this diminishing market is expected to have fallen to about 7 per cent, compared with about 64 per cent for its biggest rival, Motor Cycle News, published by East Midlands Allied Press.

Motor Cycle Weekly said UK motorcycle sales in the first 20 days of August (historically the peak sales period) were 33 per cent lower than at the same time last year. By the end of this year motorcycle sales in Britain were expected to be up to 36 per cent lower than two years ago, the magazine said.

Sales of the magazine peaked in the early 1950s at about 250,000 copies a week.

Urban programme may face cutbacks

BY ROBIN PAULEY

THE GOVERNMENT'S urban programme, which directs cash to the most deprived and decayed areas of Britain's inner cities, could face a cut of 50 per cent or more next year as part of the public expenditure cuts now being sought by the Treasury. Regional aid and housing are also high on the Chancellor of the Exchequer's list for cuts.

Any move to make such a drastic reduction in the level of government help for areas such as Bristol in London, Tosteth in Liverpool and Moss Side in Manchester is certain to raise controversy among the Government's own supporters, many of whom have supported Mr Michael Heseltine's often-quoted opening sentence to his report after the 1981 riots: "It took a riot to make the Government take inner city problems seriously."

However, Mr Nigel Lawson, the Chancellor of the Exchequer, feels that the early part of a government's life is the time for tough cuts and that every possible economy will be needed to eliminate the £2.5bn of departmental overbidding and keep next year's public expenditure planning total to £128.4bn.

The £450m urban programme could therefore be cut back to £250m or less. The cut might be easier to make because there is no indication of the views of Mr Patrick Jenkin, Environment Secretary, on



Mr Patrick Jenkin

inner urban problems; his predecessors, Mr Heseltine and Mr Tom King, both made their concern evident.

The Government's £500m of regional aid, channelled through the Industry Department, is also under pressure and scrutiny among suspicious, shared by the Prime Minister, that it might not be producing the best value for money.

Mr Peter Rees, Chief Secretary, is faced with the task of achieving the £2.5bn in departmental cuts as well as considering future public spending totals and their implications for 1985-86 and beyond. This year, Mr Lawson is taking a greater personal interest in the detail of the public spending negotiations than did his predecessor, Sir Geoffrey Howe.

Further fall in idle merchant tonnage

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE VOLUME of world merchant tonnage laid-up in the shipping slump fell for the second successive month in July, the General Council of British Shipping (GCBS) said.

Idle tonnage was down to 95.9m deadweight tons on July 31 from 97.9m dwt the month before. But the GCBS said: "There is still a very long way to go."

The drop in idle tonnage still left 14 per cent of the world's fleet inactive. In the dry cargo sector, the gradually reduced lay-up trend of this year was reversed in July. Having fallen from 27.2m dwt in February, they rose from 25.1m in June to 25.6m dwt in July.

While dry cargo rates have risen, shipping operators are still waiting for a solid recovery in major world economies to boost demand for ships and offset the heavy tonnage surplus.

IDLE WORLD TONNAGE (m dwt)			
	Dry cargo	Tankers	Total
July 31, 1981	2.5	15.9	17.8
Dec 31, 1981	2.5	24.5	27.4
July 31, 1982	2.4	25.1	27.5
Dec 31, 1982	2.5	25.6	28.1
July 31, 1983	2.5	23.1	25.6

Source: General Council of British Shipping

The UK fleet showed little change during the month, with as much as 19 per cent of its tonnage again idle. The volume was just under 8m dwt, mostly oil carriers. Liberia, the biggest world fleet and a flag of convenience, still had 23 per cent of its tonnage idle in July, while the Greek total eased from 31 per cent to 30. But in Norway, idle tonnage dropped from 36 per cent of the total fleet (mainly tankers) to 31 per cent.

Rail-bus export hopes

FINANCIAL TIMES REPORTER

THE FIRST of Britain's rail-buses will be handed over to British Rail (BR) in Derby on Thursday. The rail-bus consists of a Leyland bus body on rail wheels. The first two-car model will go into permanent service on routes from Leeds and Bradford, Yorkshire.

The rail-bus being handed over is part of a £7m contract for 20 of the two-car sets, manufactured by BR, with bodies and traction equipment

supplied by Leyland Vehicles. A BR spokesman said: "This is the first of the revolutionary British-built railway vehicles. They are seen as a major export earner for Britain, with transport authorities in Europe, Asia and America already showing interest."

"The new rail-buses are ideal for low-cost short journeys, which is particularly important in the present economic climate."

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Link it to our electronic 'decision' scales and they will set the correct postage in the meter automatically.

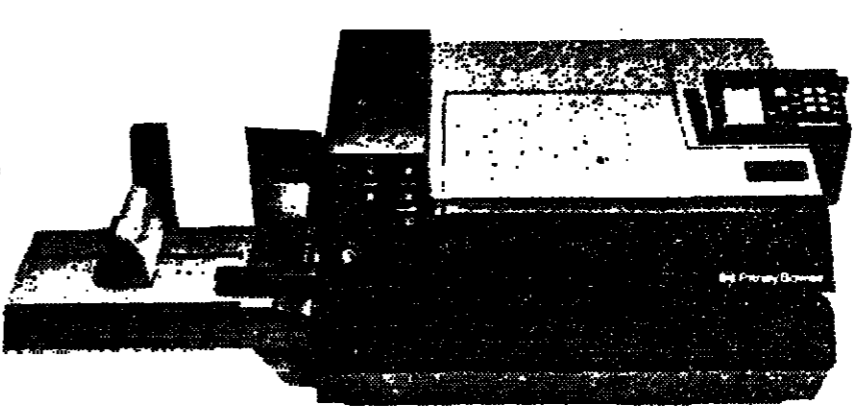
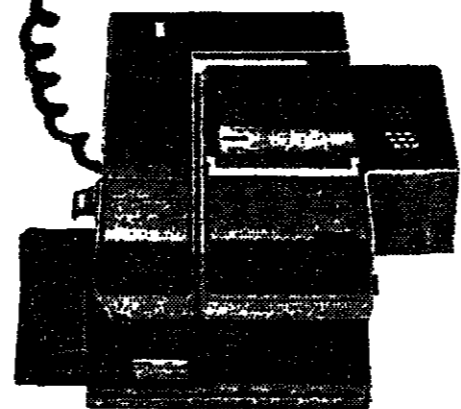
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DnC

In accordance with the provisions of the Certificates,
notice is hereby given that for the three month Interest
Period from 19th September, 1983 to 19th December, 1983
the Interest Rate will be 10% per annum and the Coupon
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Credit Suisse First Boston Limited
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For the six months from 16th September 1983
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The interest payable on the relevant interest
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and
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Complementary Eurocurrency Facility

Relating to a contract awarded to
Balfour Beatty Construction Limited
for the Four Modern Markets Project
in Bauchi State

Arranged and Provided by
Samuel Montagu & Co. Limited Banque Paribas (London)

Both Facilities Guaranteed by
The Federal Republic of Nigeria

Acting through
THE FEDERAL MINISTRY OF FINANCE

Agent Bank
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August 1983

This announcement appears as a matter of record only

THE REPUBLIC OF INDONESIA

£14,739,822
E.C.G.D. Supported Buyer Credit Facility

Relating to a contract awarded to
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To supply underground mining equipment
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September 1983

INTL. COMPANIES and FINANCE

India gives green light to Paul share deals

By John Elliott in New Delhi

THE INDIAN government has cleared the way for a controversial share transfer involving an Indian businessman resident in London acquiring a significant stake in two New Delhi companies, Escorts and DCM.

The businessman is Mr Swaraj Paul, friend and confidante of Mrs Indira Gandhi, the Indian Prime Minister. He has caused one of the biggest rows in the Indian business world for many years by using new tax laws aimed at attracting investments from Indians living abroad to buy stakes in the two companies for Caparo, his UK business.

Almost every large company in India has opposed Mr Paul's share purchases and many have unsuccessfully asked the government to stop them. They fear a disruption of Indian companies with founder-families, which often have very small shareholdings, being pushed out. Several companies have reorganised their shareholdings during the past few months and some founder-families have forged new liaisons with outside shareholders to protect themselves.

Caparo's stakes have cost some \$13m and have been supplemented by smaller share purchases by Calcutta-based company, Apperaj, owned by Swaraj Paul's brothers. The stakes, of about 13 per cent in DCM and 7 per cent in Escorts, are believed to be bigger than the shareholdings of the Ram family that runs DCM and the Nanda family that runs Escorts.

A vicious battle has been fought in public between Swaraj Paul and the two families. Both DCM and Escorts have refused to register Mr Paul's shares, hoping that the government would rule against the purchases for technical reasons. Mr Paul has publicly criticised the management of Escorts, an automotive and engineering company, and of DCM, an old textiles company that has diversified.

On Saturday night the Reserve Bank of India issued an unexpected statement clarifying the position. It said that shareholdings could be bought by more than one subsidiary of a holding company providing the ownership was more than 80 per cent in the hands of an Indian living abroad. Each subsidiary could have a 1 per cent stake but the total should not exceed 5 per cent for purchases made after May 2.

This clears Mr Paul's purchases which were done by 13 Caparo subsidiaries before May 2.

The statement is believed in New Delhi to show that the government has come down after months of indecision firmly in favour of Mr Paul's purchases. But Escorts and DCM are both expected to continue to refuse to register the shares.

Tight cost controls lift Canadian bank profits

BY NICHOLAS HIRST IN TORONTO

TIGHTER cost control and increased margins helped Canada's big five chartered banks to post increased earnings for the nine months to July 31, in spite of mixed fortunes in the third quarter.

The latest three months yielded profits of C\$88.2m (U.S.\$55.3m) for the Canadian Imperial Bank of Commerce, down 18.4 per cent on the corresponding period last year. The fall at Toronto Dominion was more modest, with earnings down 4 per cent at C\$77.1m.

In sharp contrast came the Royal Bank, the star performer for the third quarter and the nine months, with net income up 50 per cent at C\$121.2m and 43 per cent at C\$353.3m respectively.

In line with the other major banks, Royal reported better results from its domestic than its international operations, which continued to reflect a depressed world economy, and exposure to the debt-laden Latin American and Caribbean countries. While domestic

earnings at the bank were C\$102.9m in the third quarter compared with a poor C\$45.8m in the corresponding three months, international earnings at C\$18.3m fell C\$16.9m and the return on international assets dropped from 0.43 per cent to 0.24 per cent.

All the big five continued to be plagued by high provisions for loan losses and by non-productive loans on which interest has not been paid for 90 days. Mr Rowland Frazer, Royal Bank chairman, said that although there has been a levelling off in the number, there had not been a noticeable reduction in non-productive balances.

The Toronto Dominion, however, whose net income for the nine months rose 9 per cent at C\$245.3m, reported a slight decline in the level of non-productive loans in the third quarter in both its international and domestic operations. "We expect this favourable trend to continue in the fourth quarter," said Mr Richard Thomson, the chairman.

In its quarterly survey of the re-

sults of 10 of the 12 Canadian chartered banks, the Canadian Bankers' Association reported that earnings had increased despite a decline in total assets of C\$11bn from the previous year to C\$347bn, reflecting poor loan demand.

The association reported that the average spread between the cost of money and charges on loans rose to 3.44 per cent in the third quarter from 2.94 per cent a year earlier. Loan loss provisions rose by 14.1 per cent over the comparable quarter, to C\$443m. In the first nine months, loan loss provisions were 38.8 per cent higher than the year before.

For the nine months the CIBC reported profits up 9 per cent at C\$219.3m. But Bank of Montreal's net income was up 6.8 per cent for the nine months at C\$213.9m and up 10.2 per cent for the quarter at C\$77.2m. The Bank of Nova Scotia increased net income by 25.8 per cent to C\$260.8m for the nine months and 17 per cent to C\$73.83m for the quarter.

SA business record defended

BY BERNARD SIMON IN JOHANNESBURG

THE chairman of two of South Africa's largest companies, Anglo American Corporation and the Old Mutual insurance group, have hit back at critics of the growing power of the country's mining conglomerates and financial institutions.

Mr Gavin Rely, Anglo American's chairman, said in a speech that South Africa "cannot afford in a frontier society all those nice rules and regulations which so tortuously determine American business behaviour."

The Government last week launched an investigation into monopolistic practices in the South African economy, specifically interlocking directorships and cross-shareholdings. The probe was sparked off by a heated debate in recent months following a series of acquisitions and mergers involving the

country's largest companies.

Mr Rely said that Anglo American has "created as entrepreneurs and risk takers assets equal to 26 per cent of the value of the Johannesburg stock exchange. This figure accounts for things we have done, not things we have taken over," he added. "It represents mines we have started and industries we have put together, and it is a figure to be extremely proud of."

A recent study estimated that Anglo American subsidiaries and associates make up about 58 per cent of the market capitalisation of the JSE, and that the rest is dominated by only six concerns, including three life insurance companies.

Mr Frans Davin, chairman of Old Mutual the largest of the

insurance groups, also defended the concentration of power in South African business which, he said, "does not necessarily cause monopolistic conditions." He said monopolies should be judged by the way they used their influence.

Meanwhile, Old Mutual announced that its assets grew by 32.5 per cent in its last financial year to R7.2bn (\$7.03bn) at the end of June 1983, the highest growth rate in over a decade. With investments valued at market prices, the group's assets jumped by 62.8 per cent to R9.3bn.

Premium income rose by R200m to R1.2bn. Old Mutual's property portfolio was valued at R71m at the end of June, and Mr Davin forecast that it would reach R1bn by the end of 1983.

Esso Malaysia boosts payout

BY WONG SULONG IN KUALA LUMPUR

ESSO MALAYSIA has announced an interim dividend of 110 cents, against 35 cents in the year to June 26, to a 25 per cent rise in after-tax profits to 39.2m ringgit (U.S.\$16.8m) for the half year to June.

The company attributed the profit growth to the lower price of imported crude oil, a 10 per cent increase in refining capacity to 33,900 barrels a day, and a higher level of refining Malaysian crude, allowing a higher mix of gasoline, which is

in good demand.

Esso's rival, Shell Berhad, reported a less impressive performance, with interim after-tax profits rising by 10 per cent to 35.6m ringgit. The interim dividend is maintained at 10 cents a share.

Shell's refining capacity increased by one per cent to 67,600 barrels a day.

Shell's second platform encountered "unscheduled shutdowns" during the first half. These teething problems have

been resolved, and the platform is expected to contribute "significantly" to the company's second half earnings.

Both Esso and Shell have submitted revaluations of their plant and land to the Capital Issues Committee, which if approved, would throw up huge surpluses.

Shell has said it would declare a scrip issue of one-for-one if the revaluation is approved, and Esso is expected to do likewise.

Fairfax well ahead despite falling advertising volume

BY MICHAEL THOMPSON NOEL IN SYDNEY

JOHN FAIRFAX, the Sydney-based media group, enjoyed a 17.3 per cent boost in net profits in the year to June 26, to A\$15.3m (U.S.\$13.5m) despite a 10 per cent decline in newspaper advertising volume.

The gains came in radio, TV and magazines, though Fairfax said there had been no further deterioration in press advertising volumes since the end of the financial year.

The final dividend has been

raised from 5.125 cents a share to 5.25 cents, making a total of 10.5 cents per share against 10.25 cents previously.

Fairfax publications include the Sydney Morning Herald and the Australian Financial Review. Last week it raised its stake in the Melbourne-based media group, David Syme and Co., from 57.5 per cent to more than 70 per cent, and is bidding for the remainder with an offer that values Syme at A\$45.5m.

New rules for foreign banks in Jordan

By Rami G. Khouri in Amman

THE JORDANIAN Government is shortly to issue new regulations requiring foreign banks operating in the country to change their ownership structure and put 51 per cent of their equity in the hands of Jordanians.

Dr Mohammad Sa'ad Nabulsi, the Central Bank governor, said that foreign banks will have three years to make the change after the new regulations are issued within the coming months.

Among the major foreign banks operating in Jordan are Grindlays, British Bank of the Middle East, Chase, Citibank, BCCI, and several other non-Jordanian Arab banks.

Dr Nabulsi stressed that foreign banks can maintain their present absolute levels of equity by increasing the capital of their banks in Jordan and selling the new shares to Jordanians. The foreign banks will also be able to open new branches throughout the country when they are 51 per cent owned by local interests, while present regulations prohibit foreign banks from opening new branches.

"This move is not in any respect aimed against the presence of foreign capital investments in Jordan," Dr Nabulsi said.

NOTICE TO THE HOLDERS OF

Daiwa Securities Co. Ltd.

(Daiwa Shoken Kabushiki Kaisha)

5% CONVERTIBLE BONDS
DUE 1996 (THE "1996 BONDS")

and
5% CONVERTIBLE BONDS
DUE 1998 (THE "1998 BONDS")

Pursuant to Condition 5 (CH5) of the Terms and Conditions of the above-mentioned Bonds, notice is hereby given as follows:

1. On 12th September, 1983 the Board of Directors of the Company resolved to make a free distribution of shares of its Common Stock to shareholders of record as of 30th September, 1983 in Japan, at the rate of 0.05 new share for each share held.

2. Accordingly, the conversion price at which the 1996 Bonds and the 1998 Bonds may be converted into shares of Common Stock of the Company will be adjusted effective 1st October, 1983, to the conversion price in effect prior to such adjustment of Yen 480 for the 1996 Bonds and Yen 500 for the 1998 Bonds, and the adjusted conversion prices will be Yen 481.7 for the 1996 Bonds and Yen 501.7 for the 1998 Bonds.

DAIWA SECURITIES CO. LTD.

By: The Bank of Tokyo
Trust Company
as Principal Paying Agent

Dated: September 20, 1983

Continued on Page 30

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 30

Sales figures are crucial. Yearly highs and lows reflect the previous 52 weeks plus the current week but not the latest trading day. Where a split or stock dividend amounts to 25 per cent or more has been paid, the year's high and low are based on the adjusted price of the stock only. Unless otherwise noted rates of dividends are annual distributions based on the latest declaration

a-dividend also earnings) d-annual rate of dividend plus stock dividend c-liquidating dividend exp-called d-new yearly dividend e-earnings per share f-earnings per share g-dividend in Canadian funds, subject to 15% non-residence tax h-dividend declared after split-up i-dividend declared after stock dividend j-dividend declared after stock dividend k-dividend declared after stock dividend l-dividend declared after stock dividend m-dividend declared after stock dividend n-dividend declared after stock dividend o-dividend declared after stock dividend p-dividend declared after stock dividend q-dividend declared after stock dividend r-dividend declared after stock dividend s-dividend declared after stock dividend t-dividend declared after stock dividend u-dividend declared after stock dividend v-dividend declared after stock dividend w-dividend declared after stock dividend x-dividend declared after stock dividend y-dividend declared after stock dividend z-dividend declared after stock dividend

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Albany Life Assurance Co Ltd		Position		UK Equity		Foreign	
3 Bury Lane, Posters Bar	9707-42311						
Position							
Equity	587.9	518.4	+1.9		102.0	107.4	+0.6
Fixed Inc	109.6	115.9	+5.0		109.6	115.9	+5.0
US Equity	111.9	117.8	+0.6		111.9	117.8	+0.6
N America	111.9	117.8	+0.6		111.9	117.8	+0.6
Managed	111.9	117.8	+0.6		111.9	117.8	+0.6
Comp Prop	100.1	105.4	+0.5		100.1	105.4	+0.5
Fixed Inc	100.1	105.4	+0.5		100.1	105.4	+0.5
Deposits	100.1	105.4	+0.5		100.1	105.4	+0.5
Capital unit prices available on request.							

[illegible][illegible][illegible][illegible][illegible]

High Inc	140.3	140.3	+ 0.3
Shell E&P	94.3	105.3	+ 0.8
142.3	142.3	+ 0.3	
Technology	169.4	178.4	+ 2.2
Real Res/Cons	138.5	145.5	+ 2.2
191.5	191.5	+ 0.5	
Americas	272.9	234.7	+ 0.9
at East	176.3	148.6	+ 0.6
Property	194.7	194.7	+ 0.7
Managed	194.7	194.7	+ 0.4
Deposit	117.0	124.2	+ 0.2
131.2	131.2	+ 0.2	
131.2	131.2	+ 0.2	

TAT YAC			
Managed Fd	103.7	109.5	+ 0.1
Property Fd	94.4	102.6	+ 0.1
Fixed Int Fd	106.8	106.4	+ 0.9
Money Fd	105.0	105.0	+ 0.1
Equity Fd	105.0	115.5	+ 0.8

Windor Life Assurance Co Ltd			
Robert Hiss, Sheet Str, Windor	68144		
194.7	194.7	+ 0.7	
Far East Pfd	127.5	134.3	+ 0.5
Futa&Guth	77.0(A)	85.0(B)	+ 0.5

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North Polar, London SW1W 1HQ, 01-245 9522		Premier UT Admin, 5 Rayleigh Rd, Hutton, Brixton, London SW2 7JH, 0777 217226		25, Mary Abey, EC3A 8EP		01-620 9331		161, Chancery, EC2M 6AU	01-726 191
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Overseas Funds & Sector Fund	
Europe (2)	148.4
Japan (2)	184.8

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OFFSHORE AND OVERSEAS

FINANCIAL TIMES SURVEY



● Pictured, left to right: French soldiers joining the Multinational Force in Lebanon; the EEC's Council of Ministers; French soldiers with armoured vehicle at an air base in Chad.

FRANCE

NAVIGATING A DIFFICULT COURSE

WHEN President Mitterrand came to power in May, 1981, it was as an advocate of a Socialist alternative to the problems of recession and unemployment. The first two years showed how limited was his room for manoeuvre.

Since the devaluation of last March, France has fallen into line with its main trading partners in giving priority to reducing inflation and bringing the external accounts back into balance.

The decisions taken then—intensely painful for a Socialist party which had come to power with ambitious investment and social welfare plans—to cut back on public expenditure and sharply reduce household purchasing power, undoubtedly mark one of the major dividing points of the Mitterrand presidency.

He hesitated for a long time over the alternative pressed on him by the radical wing of the Socialist party—to pull France out of the EMS, devalue more sharply, reflate the economy through selected industrial investment and limit imports to protect employment. Even after March he gave the impression for a while that his mind was not fully made up.

The choice he finally made was in one sense forced on him by the weakness of the French currency and the sharp rise in France's foreign borrowing which made any go-it-alone policy difficult if not impossible. But in the last resort M Mitterrand and his closest colleagues are not the people to turn the pages back on France's post-war trend towards increasingly open frontiers or to be

By DAVID HOUSEGO

tempted by a "fortress France" concept.

All M Mitterrand's personal instincts are towards closer co-operation within Europe and particularly with West Germany—especially at a time when he sees Europe's security threatened by Russian pressure to prevent the deployment of U.S. intermediate range missiles.

M Mitterrand's decision to pursue a "convergent" economic policy is thus at one with his worldwide view and with his concept of Europe. It is worth remembering that France takes over the Presidency of the European Council at the beginning of next year. M Mitterrand

certainly intends to use the occasion to press for progress towards the closer collaboration over industry and common external economic policies that France wants.

But the result of the deflationary measures taken in March is that France is now belatedly moving into the recession through which its major trading partners have already passed. It is thus carrying out the readjustment that was largely avoided after the first oil shock and which M Raymond Barre, the former Prime Minister had already embarked on in 1979 before the second oil shock and the run-up to the Presidential elections put his plans out of joint.

The Socialists insist that their policies are not the same as M Barre's (a judgment with which M Barre agrees). There is more emphasis on active state intervention to modernise priority sectors like electronics (though the government's purse is now severely limited).

There is less concern over re-establishing corporate profit margins as the necessary prelude to any pick up in investment.

French industrial investment is forecast by the government statistics institute INSEE as likely this year to be 15 per cent below the average for the years 1976-80—thus putting at risk the modernisation of France's productive apparatus.



● As President Mitterrand (left) puzzles over economic issues with his Finance Minister, M Jacques Delors, the president also has in mind France's growing international commitments—as in Lebanon and Chad. Next year France takes over the presidency of the Council of Europe. In Brussels, France is encouraging its European partners towards more active collaboration over industrial and economic issues.

But indicative of the way in which restructuring is again moving ahead have been the recent large lay-offs announced by Peugeot, the private car manufacturer, and by Chapelle Darblay, the newsprint producer.

M Laurent Fabius, Minister of Industry since the spring, seems ready to push this rationalisation still further into sensitive industries like steel—counting on the acquiescence of unions and their rank and file towards measures by a government of the left that they would have fought tooth and nail under the right.

This autumn thus sees a country worried about the slow down in the economy, and about the prospect of increased unemployment, higher taxes, lower real income and the rising level of bankruptcies. But there is not the feverishness that brought the demonstrators to the streets in May nor the same predictions of doom from the opposition.

In part, this may be because the Government at least gives the impression of knowing where it wants to go and that it will not be caught off balance by the unexpected monetary

and economic squalls that haunted its first two years in power.

President Mitterrand is more comfortable in the saddle. He has stepped to the front of the stage in taking responsibility for explaining the government's policies. (For a long while it seemed that he wanted to distance himself from the unpopular measures of M Pierre Mauroy, the Prime Minister, and M Jacques Delors, the Finance Minister.)

He has sought a more personal image in his television appearances and in unan-

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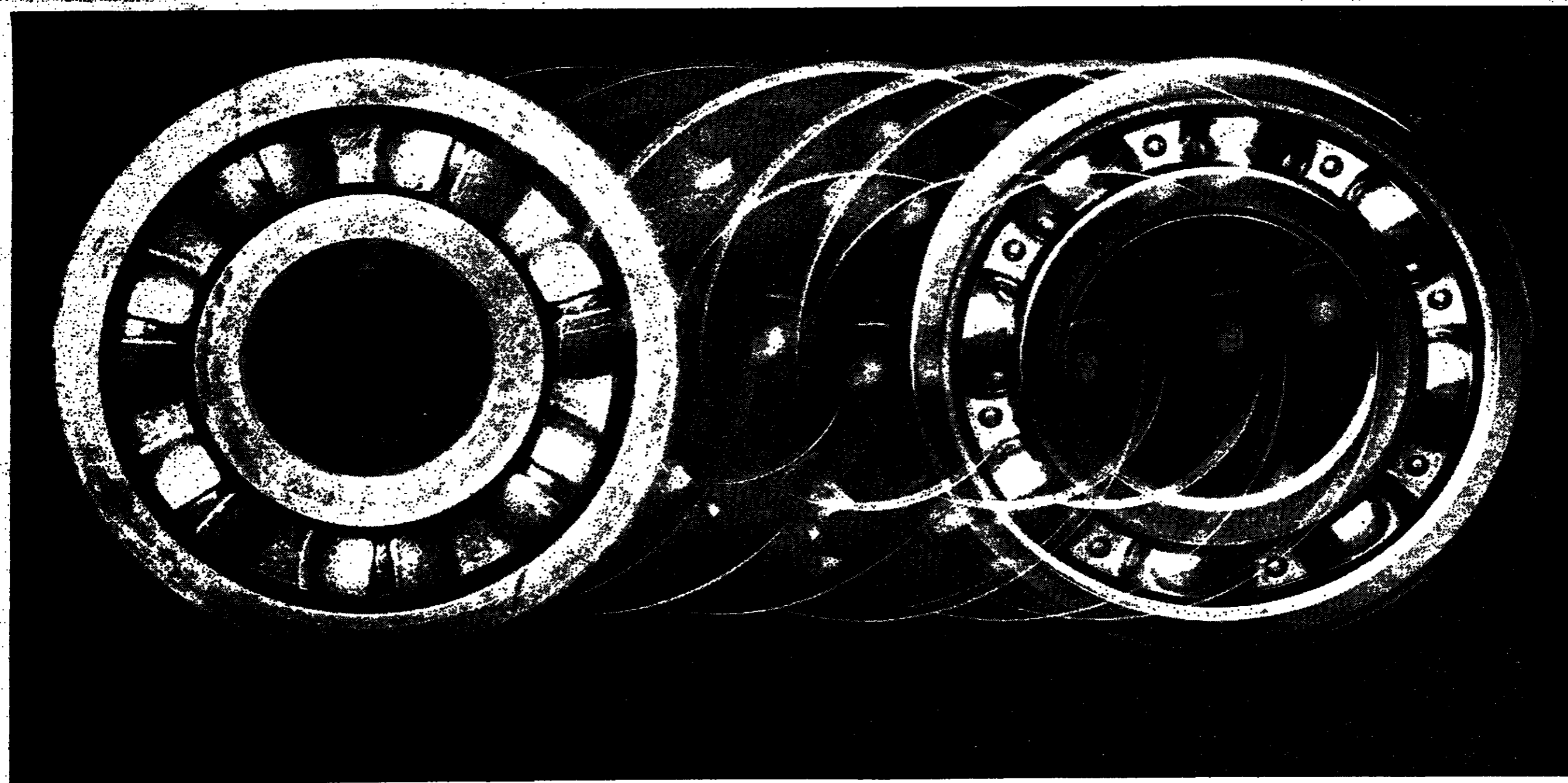
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The rolling revolution.

Few people believe that bearings change much over the years or that there's much difference between them generally.

The truth is of course another. But first, an analogy.

When powered machinery found its legs at the turn of the century it ran into trouble. Time gained by speeding up machines was often lost when parts broke down under the strain.

(That's when out-of-line shafts were the rule

rather than the exception and SKF made history by inventing rolling bearings that did the aligning.)

Then, as now, technology could only advance successfully if support technology advanced too.

Bearings are no exception. Their old basic principles still hold good, but that's about all.

Intuition and theory have given way to science and experience. Micro-changes of tenths of a thousandth of a millimetre are now commonplace. And new bearing designs still give energy savings of any thing from 8 to 80 per cent.

In 75 years we've invented or developed virtually

every type of rolling bearing and a few other kinds as well.

We established the modern theory of bearing life that later became international standard. Like much of our basic work.

We processed bearing steel to a degree of purity that is still not surpassed. And developed grinding machines of a precision never seen on the open market.

We cut machining time of standard bearings from ten minutes, sixty years ago, to 75 seconds today. And improved bearing life until all but one or maybe two in

a thousand could outlive the machines they were in.

As a result we supply some 20 per cent of the world market with miniatures weighing three hundredths of a gramme to bearings 500 million times heavier.

In applications from spinning spindles to NASA's space shuttle.

So if you agree we've come a long way in rolling bearings since the revolution we started 75 years ago, it's likely you'll agree there's also a difference in bearings generally.

We ease the friction of mechanical movement.

FRANCE II

David Housego sets the economic scene and examines the problems facing the balance of payments

Slowdown inevitable after stresses of inflation

AFTER BEING blown off course by unwelcome tidings during much of their first two years in power, it was obviously with relief that the Government greeted the recent signs in the indicators published in August that the economy is moving in the direction it wants.

The trade deficit has averaged FFfr 4.7bn a month over the past three months, as compared with an average of FFfr 7.5bn during the first quarter of the year.

The current account deficit shrank to an abnormal FFfr 2.9bn in the second quarter, after an abnormally high FFfr 30bn in the first quarter. And inflation has been edging back to an annual rate of about 9 per cent.

But a handful of swallows do not make a summer. The Government is fully aware, as M. Jacques Delors, the Finance Minister, has said, that the hardest part has yet to come. After registering a 2 per cent real growth in GDP last year—the highest among the industrialised countries apart from Japan—the French economy is now heading for stagnation or recession that will last through most of 1984.

The OECD expects real French GDP to fall this year while the Ministry of Finance believes it will be marginally positive.

But the full impact in terms of declining industrial production, lower investment, more company bankruptcies and higher unemployment (particularly in sectors like the steel, coal and car industries are allowed to carry through the restructuring they would like) has yet to show up. The coming months will inevitably be tricky.

The slowdown had become inevitable after France's single-handed attempt to reflate its economy in 1981 brought in its wake the severe inflationary and balance of payments strains that undermined the franc and led to an unacceptable expansion of France's overseas debt.

The current account deficit expanded threefold last year to FFfr 78bn. The additional borrowing required to finance it carried France's medium and long-term guaranteed debt on official figures to FFfr 295bn at the end of the year. As a result, France's expected debt service burden next year (be-

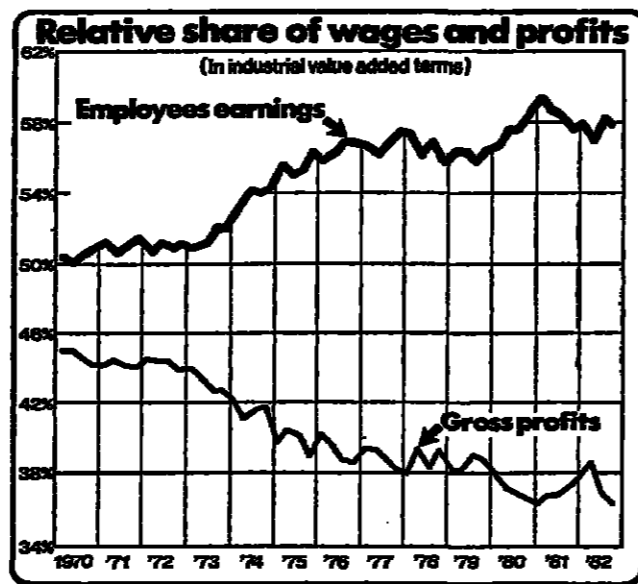
lieved to be between FFfr 55-65bn depending on assumptions about parities and interest rates) is likely to absorb two-thirds of fresh borrowing. It was mainly the realisation that such a rapid pace of debt accumulation could not continue without undermining France's independence that forced President Mitterrand to turn in his tracks and resort to deflationary measures.

After the temporary prices and wages freeze that accompanied the June 1982 devaluation of the franc, the Government took tougher fiscal action in March this year after the franc had again been devalued. New taxation and supplementary measures drained the economy of demand equivalent to some 2 per cent of GNP.

Tighter controls
This stabilisation package has been reinforced by tighter monetary controls (the expansion of M2 is being limited this year to 9 per cent) and lower ceilings on bank lending on certain types of consumer credit.

The budget for 1984 maintains this squeeze. It was drawn up under the doubly painful pressure of falling receipts as a result of the recession and of expenditures automatically rising some 30-40 per cent because of the increased cost of servicing the Government's debt. Inevitably, therefore, the cutsbacks in expenditure have bitten deep into the Socialist's once ambitious investment plans.

But though the budget deficit has been held to President Mitterrand's goal of 3 per



cent of GNP, the total public sector borrowing requirement—including the needs of the public sector corporations, the local authorities and the social security fund—will inevitably be higher.

Last year France's public sector borrowing requirement—a figure not released as such—was about FFfr 200bn or closer to 5-6 per cent of GNP, and it is not likely to be much short of that figure this year.

This has inevitably added to inflationary strains, limited the private sector's access to credit and been reflected in France's heavy foreign borrowing requirement.

Nonetheless, M. Delors's calculation is that the fiscal and monetary disposition that has now been put in place provides the framework for bringing inflation down. (The Government's target is 8 per cent this year and 5 per cent next) and cutting the trade deficit (the aim is FFfr 60bn this year and a minimum of FFfr 30bn next).

But though the budget deficit has been held to President Mitterrand's goal of 3 per



M. Jacques Delors, the Finance Minister: he cannot afford to make any errors.

up in export markets as recovery takes hold amongst France's neighbours. A hesitation in the German recovery is particularly bad news for France.

The ability of French companies to respond to export opportunities has undoubtedly been weakened by the steady rise in French industrial costs and profit margins were last year squeezed to a record low (see the accompanying chart which shows how over a long period wage earners have been winning out at the expense of corporate profits).

French exports fell by 3.9 per cent in volume terms last year reflecting the diminishing competitiveness of French industry and the official forecasting institute, INSEE, expects only a 0.3 per cent growth this year.

Government officials are obviously aware that another EMS readjustment will probably be required early next year to offset the differential in French and West German inflation rates. They want to put it off as long as possible to postpone the increase in French import prices and debt service payments that will follow.

The weakness of the DM has so far helped to maintain the stability of the EMS. But they also intend that when the readjustment comes, the bulk of it will again be borne by a revaluation of the DM rather than a devaluation of the franc.

The Government's main concern is that a readjustment can take place without the speculative run on the franc and the drama that accompanied the last two devaluations.

An important factor working in their favour at the moment is that there is much more confidence about the direction of French policies than there has been.

The Government has also built up a formidable armoury of foreign exchange reserves to ward off attacks on the franc. If speculation against the franc again reaches the point of a loss of confidence in the currency, the Government would have little option but to introduce further austerity measures (additional cuts in Government expenditure and relief for business to improve its export potential), if the alternative path of withdrawing from the EMS is to be avoided.

The Government, its supporters, and industry have no wish to deepen the recession into which the economy now seems to be heading. The slow-down in economic activity began in the middle of last year when the combination of the wages freeze and cutsbacks in social security expenditures resulted in a decline of real household purchasing power. That fall has further accelerated as a result of increased social security and tax contributions this year.

Thus for 1983 as a whole, household purchasing power in France will drop by over 1 per cent this year—faster than in any other post war year—after rising 2.2 per cent last year.

The slow-down in activity was interrupted at the end of last year and the beginning of this when industrial production rose again.

Sharper fall

The high level of stocks that industry is now carrying implies that the drop in production in the second half is likely to be all the more sharp. The worst affected will be the consumer industries, where production is expected to fall back by 3.8 per cent in the third quarter, according to INSEE, and the automobile and transport industries. (An expected 5.8 per cent drop). The construction industry has already hit hard times.

Reflecting both the turn down in economic activity and the cutsbacks in government expenditure, industrial investment is forecast by INSEE to suffer a further 4 per cent drop this year in real terms after last year's 6.3 per cent decline and 5 per cent drop in 1981.

Industrial investment this year—again on INSEE's figures—will thus be 15 per cent below the annual average during 1976-1980 (a period during which the Socialists accused their predecessors of neglecting the modernisation of the country's industrial apparatus).

The loss of jobs that the down turn will entail is not clear and depends on how far the Government will allow the different sectors of industry to pursue their restructuring plans.

Unofficial Government forecasts suggest it could rise to 2.2m this year and 2.5m by the end of next. But it is clearly the Socialist's most worrying problem.

Delicate tightrope act for financing needs

THE ACHILLES HEEL of the French economy, says M. Jacques Delors, the Finance Minister, is the external account. By that, he means to say that any attempt by France to run a higher rate of growth than its major trading partners runs aground on the rapid build-up of imports and the subsequent balance of payments strains.

The accompanying chart shows vividly the sharp worsening in France's current account that occurred with the Socialists' bid to reflate the economy.

Most of the FFfr 78bn deficit in current account last year—equivalent to 2.5 per cent of GNP or slightly more than the deficit recorded after the first oil shock—was due to the FFfr 93bn trade deficit (and that largely to the increase in imports).

The aim this year is to cut back the trade deficit to FFfr 60bn. But this is still expected to leave a FFfr 55-65bn current account deficit because the contraction on the trade side will be largely offset by the rise in the debt servicing burden as a result of France's increased overseas borrowing.

Next year the debt service burden could be up to FFfr 55-65bn which is why the Government needs a further improvement in the trade deficit (hopefully, back into balance) to offset it.

The best overall picture of the delicate tightrope act in which the Government is involved emerges from the figures for France's external financing needs as published in the national accounts.

These show that France's external financing requirement (the combination of the current account deficit and net "spontaneous" capital movements but not including government authorised borrowing) rose from FFfr 25bn in 1980 to FFfr 112bn in 1981 and to FFfr 142bn last year.

A major borrower

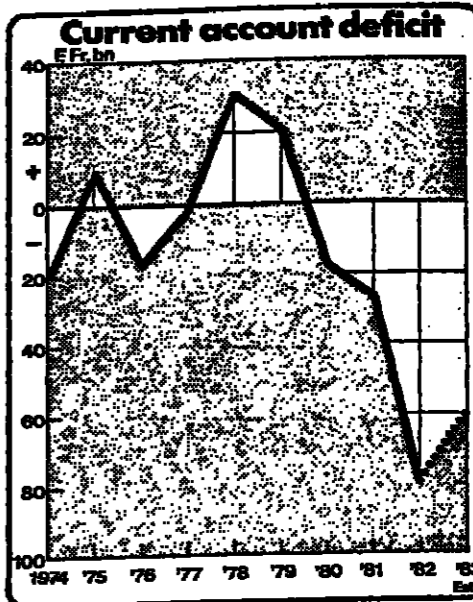
It is likely to be over FFfr 120bn this year and will remain over FFfr 100bn in 1984. France will thus continue to be a major borrower but if all goes well at a diminishing pace.

Last year these external financing needs were met mainly through the Government's foreign borrowing programme (FFfr 83bn drawn down in government authorised loans) and by depleting the foreign exchange reserves. The other element—short-term borrowing by the banks—played a far smaller role.

This year it is the commercial banks, which have taken over the role of the foreign exchange reserves as the secondary source of financing the external gap.

In part, in order to reassure foreign banks absorbing a greater quantity of French commercial paper the Ministry of Finance for the first time decided recently to publish basic details about France's foreign debt. These showed that long and medium term debt at the end of last year had reached FFfr 295bn, of which 54 per cent is denominated in dollars and 12 per cent in DM.

On the trade side the increase in the deficit last year was mainly due to the 21 per cent appreciation in the dollar which



added about FFfr 30bn to the import bill: to the consumer-led reflation of the economy which produced a sharp rise in the imports of industrial goods (automobiles plus 40 per cent, household electrical goods plus 27 per cent); and to the decline in value in exports resulting from a loss of French market share primarily with other industrialised countries that reflected the decreased competitiveness of French industry.

France's deficit with the EEC thus expanded from FFfr 52bn in 1981 to FFfr 64bn and with the OECD countries from FFfr 60bn to FFfr 107bn. France's surplus with Britain and Italy turned to deficit, and the deficit with West Germany climbed to FFfr 58bn.

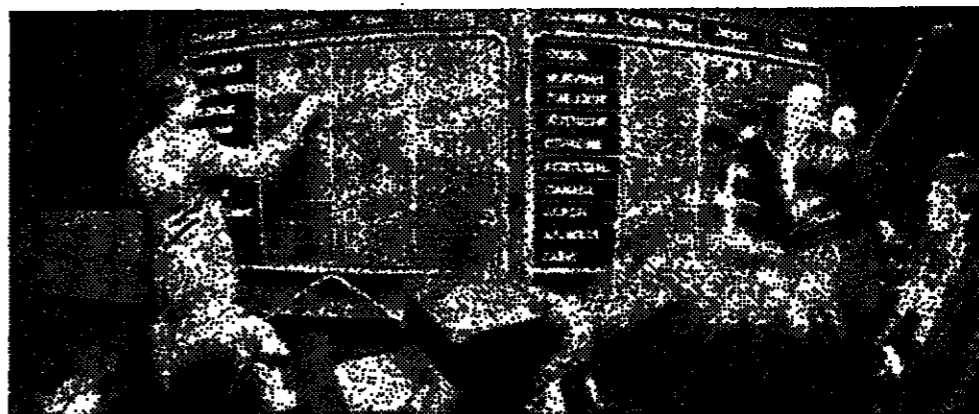
This year the trade deficit has contracted from an average FFfr 7.5bn a month in the first quarter to FFfr 4.7bn in the second.

Erratic variations

But there were sharp and erratic variations between the two quarters. The current account deficit swung from a FFfr 30bn deficit in the first three months to only FFfr 2.5bn in the second quarter mainly because of speculative movements in advance of the March devaluation.

The Government hopes that the deficit will stabilise at a monthly average of FFfr 3-4bn by the end of the year. But the continuing high dollar risks throwing out the Government's hopes of holding the deficit for the year to FFfr 60bn.

INSEE, the official forecasting unit, is not counting on any sharp recovery in French exports after last year's drop of 3.9 per cent in volume. For the year as a whole it sees French exports growing only 0.3 per cent above the 1983 level.



Upheaval on the Paris Bourse following exchange rate fluctuations and reverses suffered by Socialists in July's municipal elections

Navigating a difficult course

CONTINUED FROM PREVIOUS PAGE

BASIC STATISTICS

Area:	551,200 sq km
Population (at 1.1.82):	54,091m
GDP 1981:	FFfr 2,094.4bn
GDP (per cap):	FFfr 37,287
Inflation:	9.5% (year to July)
Unemployment:	693m (1.7.83)
TRADE (1982)	
Imports:	FFfr 726.34
Exports:	433.12
Balance:	-93.24
Current balance:	-78.70
Exchange rates:	FFfr 122.42-41
	8.65-81
Defence spending:	FFfr 122.855bn (1982)

Two difficult hurdles lie ahead for the Government. The first is to achieve its goal of bringing down the level of French inflation (11 per cent last year and currently about 9) in line with the falls recorded by France's major competitors.

The Government is going to have a hard task during the pay negotiations this autumn in holding the level of wage settlements this year to its target of 8 per cent and an even harder task of enforcing a 5 per cent wage guideline for next year.

Any signs of a slippage over prices, wages or the Government's overall borrowing requirements are liable to revive the pressure on the franc. Of late the weakness of the DM within the EMS has helped lift the pressure off the French currency.

The second hurdle is over employment. Over the short term the more vigorous the Government's anti-inflation policy, the sharper is likely to be the rise in unemployment. So far, one of the Government's major political successes has been to hold unemployment stable at around the 2m mark.

Should it now rise substantially, it could make serious inroads into the Communist and Socialist parties' rank and file support. Many on the left

are worried that the Government is now deflating and restructuring too fast.

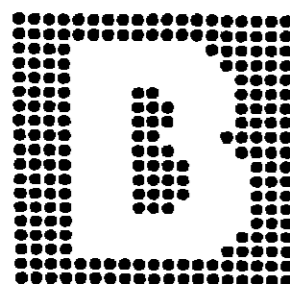
M. Mitterrand is thus navigating a difficult course between the demands of his anti-inflationary policy and the politically explosive pressures of unemployment. He would be helped—by a strong recovery in West Germany, boosting French exports and growth—but the French see no certainty of that.

He is, however, hoping to collect West German support for the French plans for closer European co-ordination in face of U.S. and Japanese competition. Paradoxically relations are now closer with Chancellor Helmut Kohl's administration than they were with Chancellor Schmidt's.

His strategy is closely geared to an electoral timetable. The next major test for the Socialists is the legislative elections in 1986 which will decide whether or not M. Mitterrand faces a hostile majority in the National Assembly for the remaining two years of his Presidency. He is prepared for low growth or no growth until the end of next year.

But he certainly intends to release the pedal to provide some stimulus to the economy in good time for the effects to be felt in 1986—though the risk is that it will provoke the same balance of payments problems that launched the Socialists' earlier attempts at reflation.

His first two years have left M. Mitterrand's France with a legacy that will take time to shake off. It is now heavily indebted abroad; tax and social security payments—already high under President Giscard d'Estaing's regime—have been pushed to the threshold of what is publicly acceptable; and the public sector is overvalued. The symptoms add up to the "British disease." The Socialists may have diagnosed it too late.



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FRANCE III

Socialists pull back into line

RELATIVE PERFORMANCE OF THE
FRENCH ECONOMY
ANNUAL PERCENTAGE CHANGES

	1980	1981	1982	1980	1981	1982
	1973	1973	1973	1973	1973	1973
France	2.8	0.3	1.5	1.1	-2.7	-1.0
Germany	2.3	-0.2	-1.3	1.5	-2.8	-0.2
Italy	2.6	-0.2	-0.3	1.0	-0.2	-4.0
United Kingdom	0.9	-2.2	1.2	-0.3	-8.2	2.6
EEC	2.3	-0.6	0.2	0.8	-5.1	-2.8
Total, OECD	2.5	1.2	-0.3	0.6	0	-2.9
Real value added in industry						
France	2.0	-0.9	-1.5	6.3	7.3	8.3
Germany	1.5	-1.5	-2.3	3.3	4.8	6.8
Italy	2.7	-2.3	-0.2	7.4	5.5	9.0
United Kingdom	0	-6.4	0	6.5	10.2	12.0
EEC	1.5	-2.5	-1.0	5.7	7.1	8.5
Total, OECD	2.1	0.7	-2.5	6.2	7.0	8.5
Consumer prices						
France	11.1	12.4	11.8	10.8	13.2	13.7
Germany	4.8	5.9	5.3	5.0	5.9	5.2
Italy	17.0	19.5	18.6	16.2	22.4	16.0
United Kingdom	16.0	11.9	8.6	18.6	6.5	5.2
EEC	10.7	11.4	9.9	10.7	—	—
Total, OECD	10.4	10.6	8.0	8.9	—	—
Unit labour costs in manufacturing industry						
France	-2.0	-2.6	1.3	-0.5	-0.8	-2.4
Germany	-2.1	-4.2	4.7	0.6	-1.1	0.4
Italy	-2.9	-7.8	4.7	-0.5	-2.0	-1.7
United Kingdom	0.1	5.1	1.4	-0.8	2.4	1.5
EEC	-2.3	-3.0	2.1	-0.3	-0.5	-0.5
Total, OECD	-2.2	-1.2	2.0	-0.4	-0.4	-0.4

1 GNP instead of GDP.
2 Percentage of the labour force; national definitions.
3 Percentage of GDP.

Source: OECD

TRADE BALANCE

(Feb/feb; price-volume breakdown; changes in FF/bn)

	1978-1979	1979-1980	1980-1981	1981-1982
Volume	-10.8	-21.5	+40.0	-39.2
Terms of trade ²	-2.0	-29.2	-29.6	-3.0
Total value	-12.8	-50.7	+10.4	-42.2

* Customs basis.
2 Calculated as a residual.

Source: OECD Secretariat

EXPORT PERFORMANCE OF MANUFACTURING

INDUSTRY

PERCENTAGES

	1979	1980	1981	1982
Growth of markets	8.3	6.3	2.4	1
Export growth, volume	9.9	1.0	2.5	-1
Gains (+) or losses (-) of market shares	+1.6	-5.3	+0.1	-2

Source: OECD

The ability of French companies to respond to export opportunities has undoubtedly been much weakened by the steady rise in French industrial costs. Profits margins last year were squeezed to a record low. Exports fell by 3.9 per cent in volume terms, reflecting the diminishing competitiveness of French industry. Leading forecasters expect only a 0.3 per cent growth this year.

THE GREAT achievement of M. Mitterrand while in opposition was to forge a left wing coalition capable of wresting power from the centre and right wing administrations that had been in office for the previous 23 years.

The extraordinary fact of his presidency is that, notwithstanding the strains of economic recession and of sharp about-turns in policy, the coalition has hung together so well.

The Communists have at times seemed tempted to pull out but the wilderness beyond has terrified them more than the ideological compromises of being in power.

The unity of the Socialists was most frayed by the defeats they suffered in the municipal elections in March, followed by the humiliation of a further devaluation of the franc and the deflationary measures that accompanied it.

But they are pulling themselves back into line in advance of the party Congress — held only once every two years — at Bourges, at the end of October.

It is the major political event of the second half of the year and the last chance the Socialists have to debate party goals and tactics before the legislative elections in 1986. Their next Congress, in 1988, will be too close to that important milestone to allow them the luxury of venting their divisions.

For the Communists, their two years' experience of power has been an unhappy period. They have continued to slide in electoral popularity as measured by yardsticks of the municipal elections or by the share of the vote they have won in trade union elections. With only four ministers in the Government (but only one cabinet minister since M. Mauroy in March cut the size of the cabinet to 15), they have had little influence on the main direction of Government policy.

They have had to swallow a succession of measures — a wage freeze, further austerity measures that cut into household purchasing power, industrial restructurings carrying with them substantial lay-offs — that they would have bitterly fought under the previous government of M. Raymond Barre. They have been strongly at odds with President Mitterrand over France's attitude to

the deployment of intermediate range missiles in Europe and over Soviet demands that French and British weapons be counted in the Geneva arms limitation talks.

In the early summer, the Communists seemed to be threatening an open clash with the Government. M. Georges Marchais, the party Secretary, General, delivered a stinging personal attack on M. Jacques Delors, the French Finance Minister after his return from the Williamsburg summit.

He said that the Minister of Finance in his talks at Williamsburg obviously had no problem in explaining to President Reagan and Mrs Thatcher the need for fresh sacrifices to be imposed on French workers but he would have done better to have explained this to the workers themselves.

He left little doubt that he believed the March stabilization measures were condemned to

Political scene

DAVID HOUSEGO

failure because of the strength of the dollar.

After this foray M. Marchais unexpectedly flew to Moscow where he saw the Soviet leader Mr Yuri Andropov. He came back championing the Soviet view that French weapons should be included in any agreement at Geneva using the argument that if France counted on Nato support, then the Soviets had the right to count in British and French



Prime Minister Pierre Mauroy: cut the cabinet size to 15 in March.



M. Georges Marchais, Communist Party Secretary General: stinging attack.



M. Edmond Maire, Secretary of the pro-Socialist CFDT Union.



M. Lionel Jospin, Socialist Party Secretary: preaching realism.

weapons. French officials feared that M. Marchais was being used by the Russian leadership ready to lay the blame for any failure at Geneva on French intransigence.

M. Mitterrand's strong card has been deftly to turn the Communists' espousal of Russian positions to their disavowal. Without doubt, a major factor in their waning popularity has been their being tarnished with the Russian brush over Poland, Afghanistan and most recently the downing of the South Korean Boeing 747.

Their declining popularity has also made less tempting the decisive rupture with the Socialists that would carry them

out of the coalition. Membership, on the other hand, gives them many advantages including the patronage that comes from being within the government.

They have been using this, and the opportunities to strengthen worker representation in the running of companies as provided by the new industrial legislation to reinforce their influence over the strategy of major companies to gain a better foothold within the echelons of the administration. It is a perspective that worries many French.

Part of the reason for the Communists' more vocal militancy early in the summer was that they risked being outflanked in their claims to repre-

sent the radical left by M. Jean-Pierre Chevènement and his followers in the Ceres faction of the Socialist party. The only partial split that there has been in the Socialist ranks since they came to power has been the resignation of M. Chevènement — reflecting doubts about his ministerial capabilities as well as ideological differences.

M. Chevènement later criticised the austerity measures put through in March as un-Socialist and implied they were doomed to fail. Some of his followers went further.

In a background contribution prepared by the Ceres faction for the Bourges-Bresse conference in June they said the March measures were in line with classic deflation policies carried through by conservative governments.

They believed they were insufficient to curb French inflation fast enough to avoid a fresh devaluation of the franc, or to eliminate doubts over France's membership of the EMS. They argued that the consequence would be an increase in France's foreign borrowing which threatened French independence.

France, the paper said "is already, in some ways, in the anti-chamber of the IMF". In opposition to demand depressing policies to stabilise inflation and the franc, M. Chevènement proposes a competitive devaluation of the franc, a reduction of the economy through investment aimed at modernising industry, a temporary withdrawal from the EMS and protectionist measures to limit imports through the use of the EEC safeguard clauses.

If M. Chevènement's argu-

ment that government policies were not Socialist found an initial echo in the party, he has since found himself increasingly in a minority. This is because M. Mitterrand so firmly ruled out the "alternative policy" and because the government has established a more confident grip over the economy.

But his proposals still represent the main ideological line of division among the Socialists drawing M. Chevènement in many ways closer to the economic thinking of the Communists.

The party secretary, M. Lionel Jospin has been preaching realism to the rank and file. In a remarkable speech to militants in August he said that the party must remember that "the laws of economics exist... the weight of the external constraint, the difficulty of improving industry's capabilities, all that has shown us that the fundamental economic situation can only be changed more slowly than we thought: that interventionism—without doubt necessary—has its limits."

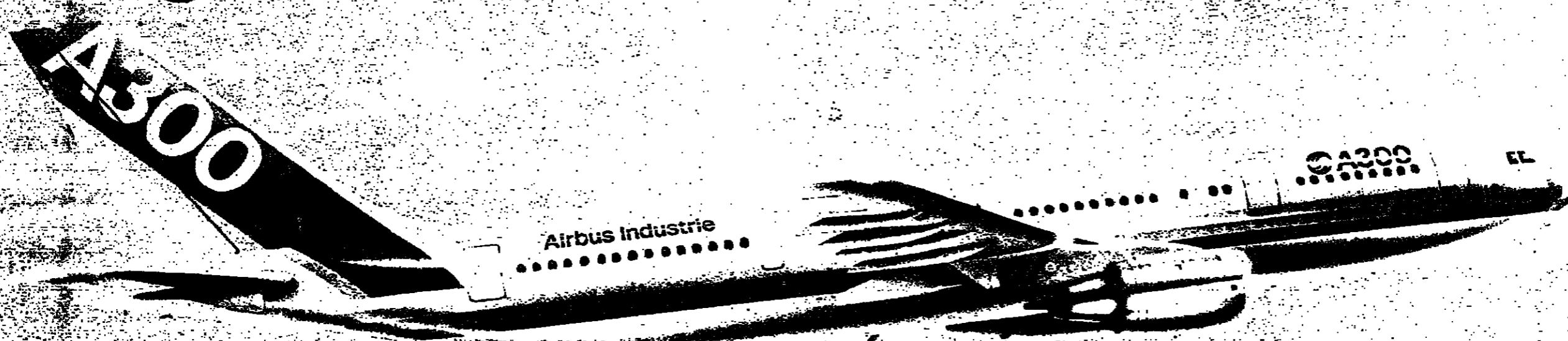
This realistic appraisal is only partly accepted among what is often called the "second left"—the non-Marxist supporters of M. Michel Rocard, now Minister of Agriculture or M. Edmond Maire, the Secretary of the pro-Socialist CFDT union. They have emphasised that the Socialist programme must be rethought so as to place more emphasis in a period of low growth on work sharing, improvements in working conditions, and increased worker representation.



Around 8,000 students protest in Paris against university reforms proposed by the Government.

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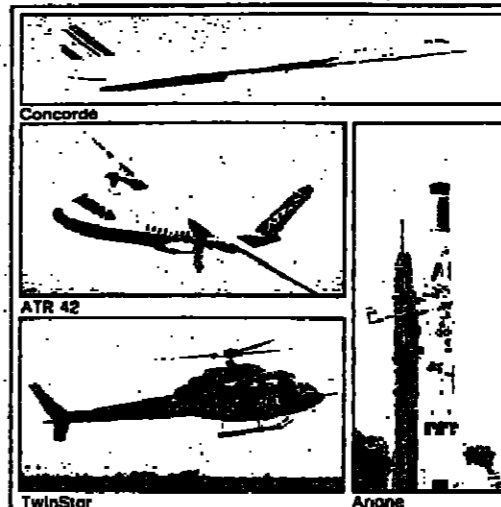
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A yawning gap between rhetoric and results

Small business sector

DAVID MARSH

NO FRENCH government could come to power without promising support for the politically vocal and economically vital small business community.

The Socialists have probably given more emphasis even than the previous Right-wing administration to pledging support and comfort to the roughly 150,000 companies employing between 10 and 500 people officially reckoned to make up small and medium-sized industry (the PMEs).

President Mitterrand, went as far as proclaiming, in a New Year address to the nation, that reducing companies' financial and social charges would be

given top priority in 1983 to allow them to "produce more and better." M. Jacques Delors, the Finance Minister, has been a constant pleader of the theme that "small is beautiful," especially when trying to persuade the largely state-owned banks to put up more loans for fledgling companies.

Both M. Jean-Pierre Chevènement and M. Laurent Fabius, the former and present Industry Ministers, have been united in calling for a "cultural transformation" in France to overcome the general antipathy towards effort and initiative in business. As one Finance Ministry official puts it: "In France, people are respected if they inherit money, not if they make it in industry."

Yet for all the Government's good intentions, the gap between the rhetoric and the results—like in other sectors of French life—remains disturbingly wide. Traditionally, protected sections of the small

business community ranging from retailers and pharmacists to architects and physiotherapists have been complaining bitterly in recent months that Socialist policies to bring down inflation, to increase workers' rights and to cover the cost of social programmes have hit their livelihoods.

The protests came to a head in May with a Paris march of about 15,000 to 20,000 "petits patrons" which led to violent clashes with police. Similar, although less spectacular action took place in many other towns around the country in what M. René Bernasconi, the president of the Small and Medium Industries Confederation (CGPME) says was a "final warning" to the Government.

The trade of complaints by small business leaders in some cases need to be taken with a pinch of salt. Some well-managed firms without doubt have succeeded in riding through the recession without

too much difficulty. During the holiday months of July and August the small firms' campaign has noticeably stilled although it has been the turn of hoteliers, particularly in the regions, to criticise the Government's austerity policies as the reason for a fall-off in bookings.

The CGPME, like the umbrella employers' federation, the Patronat, has been waging a tireless campaign to reverse some of the extra social and financial charges heaped on companies' shoulders as a result of the Government's programme of social measures in its first year of office.

The Patronat claims that the total bill in higher social security and unemployment contributions, together with the cost of introducing five-week holidays and the 39-hour week, has been FFf 45bn for 1982.

The Patronat revised downwards this summer its estimate from its earlier inflated figure of FFf 100bn. (The Government is claiming the measures added only an extra FFf 20 bn last year.) The Patronat's backtracking no doubt took away credibility from its campaign. But there is no doubt that the ambitious social benefits have partly backfired by increasing labour costs and adding to companies' reluctance to take on staff.

Another thorn in the side of the PMEs has been the Government's labour laws increasing unions' rights in the running of industry. Additional union powers in small businesses in the past normally sheltered from worker militancy, with only about 15 per cent of employees actually union members—have bitten deeply into the patron's traditional entrepreneurial freedom of action to manage as he pleases.

It is true to say that other government moves—to hold down wages for example, through its general anti-inflation programme, or through



Man in a hurry: Industry Minister, M. Laurent Fabius—not fast enough for the small business sector.

selective support for industries in trouble—have helped the small business community.

But M. Bernasconi is fighting for high political stakes. Particularly, he is trying to ward off the challenge from a rival small business leader, M. Gerard Deuil, president of the notably more Right-wing National Union of Small and Medium Industries, whose activities have revived memories of the Poujadist small shopkeeper militancy of the 1950s.

M. Bernasconi says that unless Government takes heed of the May warning, small businesses will take "more rigorous" action to make their voices heard.

"We have the power to bring the economy to a halt," he threatens. "It is better to stop the economy while you are still alive rather than to wait to die."

He is pleading especially for an easing of social charges on employers through a changing of the system of financing

family allowances, at present made through a levy on companies.

The Government, promised steps to reform the system gradually last November as a way not only of easing employers' costs but also of slimming down the bureaucracy of collecting and distributing family allowance payments. So far, no concrete action has been taken—although the Government may announce some steps to reform the system of family levies as part of a modest series of measures to help employers planned in this month's (ie September's) 1984 budget.

M. Bernasconi also wants the Government to change the method of reimbursing companies for VAT payments to the Treasury.

M. Delors, with whom M. Bernasconi has recently discussed this plan, is said to favour in principle the idea of giving relief in this way.

The overriding problem, the PME leader says, is that the overall burden of taxes and charges throughout the economy already rose from 35 per cent to 42 per cent of gross national product under President Giscard d'Estaing—and it is on the way to rising to 45 per cent (although M. Mitterrand once decreed that 43 per cent was a level which should not be exceeded).

The Government's price controls, vigorously policed by the Competition and Prices Commission, much vilified in recent protest demonstrations, are no more severe than under previous administrations, M. Bernasconi admits.

But it is the juxtaposition of measures to keep down prices at "artificial" levels, together with the extra corporate charges, which have prevented many companies from balancing their books, he claims—leading to the disappearance of about 20,000 companies a year, three-quarters of which are PMEs.

Much concerned with stemming the bankruptcy side, the

Government has brought in a series of tax incentives to try to alleviate corporate financial difficulties. And it is also giving more support to the creation of fresh enterprises.

Companies of fewer than 200 employees between 1974 and 1980 created about 700,000 jobs, while in firms of more than 200 workers about 560,000 jobs were lost.

Job losses

Even the most emphatic supporter of the Government's programme of nationalisation would not deny that the big companies taken over by the state last year will probably continue to shed labour in coming years.

So, just as in Mrs Thatcher's Britain, the small business sector is being called to the vanguard of the fight against unemployment.

The Government has announced during the summer measures allowing newly-created enterprise freedom from tax payments for the first three years of their existence.

This, in fact, improves only slightly on the previous arrangements allowing companies a 50 per cent tax deduction for the first five years. It does not go nearly as far as the propositions of Government's own Business Creation Agency (ANCE), which is calling for a five year tax holiday and a series of other measures to ease the start-up costs associated with new enterprises.

The Patronat has commented sourly that new businesses rarely make profits on which to pay any tax in their first few years, and M. Bernasconi chips in that the Government should pay less attention to what he calls the "children of tomorrow" and more to the companies in difficulties now.

None the less, it is a start. The tax breaks are the latest in a series of "supply-side"

tax incentives which M. Fabius helped work out in his previous job as Budget Minister, notably tax exemptions for companies which invest more funds in research.

Other measures introduced this year specifically to help PMEs include steps to ease their access to accounting and management services, as well as fiscal moves to ease the tax burden on profits.

The Government is trying particularly to encourage growth of small businesses through the banking system. The banks are being continually exhorted by the Finance Ministry to set up small business departments and even to go so far as taking equity stakes to aid smaller companies.

Attitudes

At least for businesses just starting existence, finance however is not the main problem, according to M. Jean-Michel Coulier, who heads the 50-strong staff at the ANCE. The main obstacle, he says, is the general economic and social environment, especially the unwritten law which decrees that "if you set up an enterprise you're a villain or exploiter."

The agency is contacted by about 30,000 potential small business-starters a year.

The results of the agency's work are hard to measure. Although 20,000 businesses may go under each year, the statistics show that more than 30,000 are born. The trouble is, M. Coulier explains, that the figures on company start-ups also include those which fall within the first few months—cases of "infant mortality"—without ever being recorded statistically as going under.

France is trying to improve the collection of statistics on start-ups and failures to give a more accurate picture—but it will not be available at least until 1985.

Europe's leader in the space race

Aerospace

DAVID MARSH

TO THE traditional list of French technological and industrial success stories—telecommunications, nuclear power, the motor industry—President François Mitterrand in his TV interview earlier this month added a newcomer: the conquest of space.

France's position as the leading European country in the space race—although still a long way behind the Americans and the Russians—owes much to political as well as industrial factors. Successful Paris governments have devoted effort and budgetary funds towards establishing France as Europe's heavyweight in space partly to boost the expertise of domestic industry in areas like rocket launching and satellite manufacturing.

But the overriding motive has been to back the policy, in force since de Gaulle's day, and nudged under the Socialists—of strategic and technological independence from the superpowers. The prime reason for

by French TV channels is an unenviable task overlooked in this sort of analysis.

In spite of the nationalistic overtones of French space efforts, international collaboration plays a highly important part in the programme. France has the largest financial stake in the 11-nation European Space Agency which runs pan-European space projects.

France has taken a leading role in the Ariane rocket programme, with over 60 per cent of the \$1.5bn development costs so far being put up by Paris. Out of the more than 60 European companies which provide parts for the rocket, about a third are French, with Aerospatiale, Matra and the SEP propulsion company playing leading roles.

The successful launching of the Ariane rocket in mid-June—after an embarrassing failure in September 1982, when it crashed on what was supposed to be its first operational flight—was a major landmark.

Ariane put into orbit the first of a series of European Communications Satellites providing TV, telephone and business services within Europe for the European telecommunications organisation Eutelsat. (The other satellite launched was the German

Moscow and Paris persists.

On the commercial side, international business links in satellite production have given French companies an entry card on to the world market. The ball was started rolling at the end of the 1970s when France and Germany split away from the ESA grouping for the development of large communications satellites.

The Franco-German company subsequently set up, Eurosatellite, owned chiefly by Aerospatiale and Thomson of France, Messerschmitt and Telefunken (now ATN) of Germany (with a small stake from ETEC of Belgium) has frankly proved a disappointment.

Eurosatellite has only three contracts in its order book, for the first French and German direct TV satellites TDF-1 and TVSAT, together with an order to build the Nordic TV satellites TELE-X.

Collaboration

Hopes of big business overseas from countries like China with ambitious broadcasting plans have receded into the background, for a mixture of economic and technical reasons. Aerospatiale now admits that its collaboration with Ford Aerospace of the U.S. in making medium-sized communications satellites is now more important than the Eurosatellite link-up.

Ironically, the French space company with the fullest order books—Thomson—is one which does not make satellites at all.

Through its link-up with Hughes, the company provides electronic equipment to go on board satellites—including the future Intelsat-VI generations to be built under the leadership of the U.S. company.

Thomson also has an active presence in the all-important market for providing equipment for reception stations.

Matra, the other French satellite builder, has put its money on co-operation with Britain in medium-sized models—and has pulled ahead of Aerospatiale in the space stakes.

Consortium

Teaming up with British Aerospace in the Satcom International consortium, it is building the five ECS satellites so far ordered by Eutelsat as well as three satellites for the planned Telecom satellite communications system.

Matra expects to receive along with British Aerospace the contract for Britain's Unisat satellites, planned to begin direct TV broadcasting in 1986. These will be modelled on the so-called "stretched ECS" satellite called Eurostar—Matra is also building another of these advanced versions, Athos, as an experimental satellite for the French Post Office.

Matra will be bidding, possibly in competition with Aerospatiale, for a number of foreign orders expected to be submitted to international tender over the next few years.

Because of the possibility of "Franco-French" competition among Aerospatiale and Matra on foreign satellite markets, the Paris government has proposed that the two companies at least pool their marketing efforts. This would avoid the rivalry that took place in the past over, for instance, attempts to win a Brazilian satellite order (eventually clinched by the Canadian company Spar).

Matra, however, has turned down the idea of any such collaboration.

"I believe in competition," says Jean-Luc Lagardère, the Matra chairman. His marketing manager for space activities, Jacques Battistella, puts it: "Stim cats are better to catch mice."

But, sooner or later, France may have to face up to the question of whether the existence of two independent satellite companies is a luxury which it can ill afford.



The French Super Etendard at the Paris Air Show

France's leadership in Europe's Ariane space rocket programme has been to create an independent European capability for launching the telecommunications satellites which will become increasingly important in the new "information technology" era which lies ahead.

Satellites also have military functions, for both communications and observation purposes, and France is aiming—budgetary funds permitting—to have its own spy satellites in the skies for the benefit of the armed forces over the next decade.

With the plans for the commercial series of spot observation satellites (to be launched from 1985) and for the Telecom satellite business services to be set up by the French Post Office, France aims to forge ahead of the rest of Europe in the commercial exploitation of space.

In the manufacturing of the satellites themselves, France sees the establishment of a solid industry as paving the way for exports both within and outside Europe to combat the present almost overwhelming competition from U.S. satellite makers.

Number One

Finally, a kind of cultural nationalism also comes into play. France is determined to be the first country at least in continental Europe to launch direct television broadcasting from satellites (planned for 1985, or now more likely 1987).

This is partly to act as a shop window for exports but also partly to ward off challenges from neighbouring countries planning to launch their own TV satellites and so invade France's broadcasting and advertising markets.

France has now more or less renounced the attempt by Luxembourg to put up its own commercial satellite, which, according to at least some voices in the Paris government, would bear a "Coca-Cola" TV dominated by U.S. programmes over large parts of France. (The popularity of "Dallas" and other U.S. serials broadcast

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